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

GLOBAL OFFERING

Joint Sponsors, Joint Global Coordinators,
Joint Bookrunners and Joint Lead Managers

DBS

Kim Eng

IMPORTANT: If you are in any doubt about the contents of this prospectus, you should obtain independent professional advice.

CHINA SAITE GROUP COMPANY LIMITED
中國賽特集團有限公司

(incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	**400,000,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Public Offer Shares	:	**40,000,000 Shares (subject to reallocation)**
Number of International Placing Shares	:	**360,000,000 Shares (subject to the Over-allotment Option and reallocation)**
Offer Price	:	**Not more than HK$1.25 per Offer Share and expected to be not less than HK$1.03 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% (payable in full on application and subject to refund on final pricing)**
Nominal Value	:	**HK$0.10 per Share**
Stock Code	:	**153**

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

DBS   Kim Eng

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

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required under Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or around Friday, 25 October 2013 or such later time as may be agreed between the parties, but in any event, no later than Thursday, 31 October 2013. If, for any reason, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by Thursday, 31 October 2013, the Global Offering will not become unconditional and will lapse immediately. The Offer Price will be not more than HK$1.25 per Offer Share and is currently expected to be not less than HK$1.03 per Offer Share unless otherwise announced. Investors applying for Offer Shares must pay the maximum Offer Price of HK$1.25 per Offer Share together with brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price finally determined is lower than HK$1.25 per Offer Share. The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, with the consent of our Company, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that as stated in this prospectus at any time not later than the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, notice of such reduction will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.chinasaite.com.cn** as soon as practicable but in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offer. For further information, see the sections headed "Structure and conditions of the Global Offering" and "How to apply for Hong Kong Public Offer Shares" in this prospectus.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, and in particular, the risk factors set out in the section headed "Risk factors".

Pursuant to the termination provisions contained in the Hong Kong Public Offer Underwriting Agreement, the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Public Offer Underwriters) have the right in certain circumstances, in their absolute discretion, to terminate the obligations of the Hong Kong Public Offer Underwriters under the Hong Kong Public Offer Underwriting Agreement at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of the terms of the termination provisions are set out in the section headed "Underwriting" in this prospectus.

The Offer Shares have not been and will not be registered under the US Securities Act or any state securities laws in the United States, and may not be offered or sold, pledged or transferred, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in accordance with any applicable state securities laws in the US. The Offer Shares are being offered only outside of the United States in offshore transactions in reliance on Regulation S.

22 October 2013

We will issue an announcement in Hong Kong to be published on our website at ***www.chinasaite.com.cn****, the website of the Stock Exchange at* ***www.hkexnews.hk*** *and in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) if there is any change in the following expected timetable of the Hong Kong Public Offer.*

	2013(1)
Latest time to complete electronic applications under the **HK eIPO White Form** service through the designated website at **www.hkeipo.hk**(4)	11:30 a.m. on Friday, 25 October
Application lists of the Hong Kong Public Offer open(2)	11:45 a.m. on Friday, 25 October
Latest time to lodge **WHITE** and **YELLOW** Application Forms(2)	12:00 noon on Friday, 25 October
Latest time to give **electronic application instructions** to HKSCC via CCASS(3)	12:00 noon on Friday, 25 October
Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Friday, 25 October
Application lists of the Hong Kong Public Offer close(2)	12:00 noon on Friday, 25 October
Expected Price Determination Date(5)	Friday, 25 October
Announcement of: (i) the Offer Price; (ii) the level of applications in the Hong Kong Public Offer; (iii) indication of levels of interest in the International Placing; and (iv) the results of applications and basis of allocation of the Hong Kong Public Offer Shares to be published on our website at **www.chinasaite.com.cn**, the website of the Stock Exchange at **www.hkexnews.hk** and in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on or before	Thursday, 31 October

	2013[1]
Results of allocation in the Hong Kong Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels (see "How to apply for Hong Kong Public Offer Shares – 11. Publication of results")	Thursday, 31 October
Results of allocation in the Hong Kong Public Offer will be available at **www.tricor.com.hk/ipo/result** with a "search by ID" function	Thursday, 31 October
Despatch of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly successful (if applicable) and wholly or partially unsuccessful applications under the Hong Kong Public Offer on or before[6][7]	Thursday, 31 October
Despatch of share certificates of the Offer Shares or deposit of certificates of the Offer Shares into CCASS in respect of wholly or partially successfully applications pursuant to the Hong Kong Public Offer on or before[6][7]	Thursday, 31 October
Dealings in Shares on the Main Board of the Stock Exchange expected to commence at 9:00 a.m. on	Friday, 1 November

Notes:

(1) All times and dates refer to Hong Kong local times and dates. Details of the structure and conditions of the Global Offering, including its conditions, are set out in the section headed "Structure and conditions of the Global Offering" in this prospectus.

(2) If there is a "**black**" rainstorm warning signal or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 25 October 2013, the application lists will not open or close on that day. Further information is set out in the section headed "How to apply for Hong Kong Public Offer Shares" in this prospectus. If the application lists do not open and close on Friday, 25 October 2013, the dates mentioned in this section may be affected. An announcement will be made by us in such event.

(3) Applicants who apply for Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the paragraph headed "Applying by giving **electronic application instructions** to HKSCC via CCASS" under the section headed "How to apply for Hong Kong Public Offer Shares" in this prospectus.

(4) You will not be permitted to submit your application through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(5) The Price Determination Date is expected to be on or about Friday, 25 October 2013. If, for any reason, the Offer Price is not agreed by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or before Thursday, 31 October 2013, the Global Offering (including the Hong Kong Public Offer) will not proceed and will lapse.

(6) e-Auto Refund payment instructions or refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offer and also in respect of successful applications if the final Offer Price determined is less than the price payable on application. If you apply through the **HK eIPO White Form** service by paying the application monies through a single bank account, you may have e-Auto Refund payment instructions (if any) despatched to your application payment bank account. If you apply through the **HK eIPO White Form** service by paying the application monies through multiple bank accounts, you may have refund cheque(s) sent to the address specified in your application instructions to the designated website (**www.hkeipo.hk**) by ordinary post and at your own risk. Refund cheques will be crossed "Account Payee Only" made out to you, or if you are joint applicants, to the first named applicant on your Application Form. Part of your Hong Kong Identity Card number/passport number or if you are joint applicants, part of the Hong Kong Identity Card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong Identity Card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong Identity Card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

(7) Applicants who have applied on **WHITE** Application Forms for 1,000,000 or more Hong Kong Public Offer Shares and have indicated in their applications that they wish to collect any refund cheque(s) (if applicable) and/or share certificates (if applicable) in person, may do so from our Hong Kong Share Registrar, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong between 9:00 a.m. to 1:00 p.m. on Thursday, 31 October 2013. Applicants being individuals who opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation's chop. Both individuals and representatives of corporations must produce, identification and (where applicable) documents acceptable to our Hong Kong Share Registrar. Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Public Offer Shares under the Hong Kong Public Offer may collect their refund cheques, if any, in person but may not elect to collect their share certificates which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applications are the same as those for **WHITE** Application Form applications. Applicants who apply for Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the paragraph headed "Applying by giving **electronic application instructions** to HKSCC via CCASS" under the section headed "How to apply for Hong Kong Public Offer Shares" in this prospectus for details. Uncollected share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant applications. Further information is set out in the paragraph headed "14. Despatch/collection of share certificates and refund monies" under the section headed "How to apply for Hong Kong Public Offer Shares" in this prospectus.

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on the Listing Date, provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements is terminated in accordance with its terms before 8:00 am on the Listing Date. Investors who trade the Shares on the basis of publicly available allocation details prior to the receipt of the share certificates or prior to the share certificates becoming valid do so entirely at their own risk. If the Global Offering does not become unconditional or the Underwriting Agreements are terminated in accordance with their terms, we will make an announcement as soon as possible.

You should read carefully the sections headed "Structure and conditions of the Global Offering" and "How to apply for Hong Kong Public Offer Shares" in this prospectus for details relating to the structure and conditions of the Global Offering and how to apply for Hong Kong Public Offer Shares.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information which is different from that contained in this prospectus. Any information or representation not made in this prospectus must not be relied upon by you as having been authorised by us, the Joint Sponsors, Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective Directors, officers, representatives, or affiliates or any other person or party involved in the Global Offering.

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all of the information which may be important to you. You should read the whole document before you decide to invest in the Shares. There are risks associated with any investment. Some of the particular risks in investing in the Shares are summarised in the section headed "Risk factors" in this prospectus. You should read that section carefully before you decide to invest in the Shares.

OVERVIEW

We are an integrated steel structure and prefabricated construction solution service provider headquartered in Yixing, Jiangsu Province, the PRC, with an operation history of approximately 15 years. Our integrated construction solution services are customised to meet the technical specifications and requirements of different projects, and span from fabrication and assembly of steel structure parts and prefabricated construction materials at our workshops to the installation of these materials onsite, based on the secondary design (as to our steel structure projects) provided by us or our customers. According to the Ipsos Report, in Jiangsu Province, we were the third largest steel structure construction service provider, and the second largest prefabricated construction service provider, in terms of revenue in 2012.

Steel structure projects

According to the Ipsos Report, steel structure construction in the PRC had a production value of approximately RMB298.2 billion accounting for approximately 2.2% of the country's total construction output value in 2012. We have been accredited as a Grade One Steel Structure Engineering Professional Contractor by the Ministry of Housing since November 2005, which is the highest national qualification in this aspect to enable us to undertake all kinds of steel structure projects without limitation in span, contract sum, construction area or total weight of construction in the PRC. There are about 70 enterprises in Jiangsu Province with this accreditation.

During the Track Record Period, most of our steel structure projects were concentrated in Jiangsu Province and Shanghai. We completed 99 steel structure projects during the Track Record Period with contract value ranging from approximately RMB0.4 million to RMB180.0 million. We have participated in a wide range of steel structure projects of, among others, bridges, train stations, stadiums, exhibition centres and factory premises. From this business segment, we have generated approximately RMB406.9 million, RMB518.0 million, RMB812.6 million and RMB549.7 million accounting for 100.0%, approximately 80.1%, 77.5% and 67.4% of our Group's total revenue for each of the three years ended 31 December 2012 and the six months ended 30 June 2013, respectively.

Steel structure industry in the PRC is fragmented. According to the Ipsos Report, with close to 10,300 players in 2012, the top five steel structure construction service providers in the PRC accounted for less than 10% of the total market share in terms of revenue in the PRC in 2012, while the top five steel structure construction service providers in Jiangsu Province accounted for approximately 15% of Jiangsu Province's total market share in terms of revenue in 2012. For steel structure projects, our market share in the PRC accounted for approximately 0.3% in 2012, while our market share in Jiangsu Province accounted for approximately 1.9% in 2012.

Prefabricated construction projects

According to the Ipsos Report, prefabricated construction in the PRC had a production value of approximately RMB16.7 billion accounting for approximately 0.12% of the country's total construction output value in 2012. According to the Ipsos Report, in Jiangsu Province, the production volume of this industry grew from approximately 36,700 sq.m. in 2007 to approximately 491,600 sq.m. in 2012, representing a CAGR of approximately 68.0%. Prefabricated construction is one of the more modern types of construction method which principally involves deploying a majority of structural components, such as columns, beams, trusses, wall panels and floor panels pre-produced and standardised in factory for assembly readily at the work site. We commenced to undertake prefabricated construction projects in late 2010 and started recognising revenue thereon in 2011. From this business segment, we have generated approximately RMB128.8 million, RMB235.5 million and RMB265.6 million accounting for approximately 19.9%, 22.5% and 32.6% of our Group's total revenue, for each of the two years ended 31 December 2012 and the six months ended 30 June 2013, respectively.

During the Track Record Period, we were engaged to provide prefabricated construction services for the social security housing projects in the PRC including 宜興氿北花園一、二、三期 (Yixing Jiubei Garden Phase I, II, III), where each phase was awarded to us consecutively; 紅星花園住宅 (Hongxing Residential Garden), and altogether comprised a total of 198 blocks of buildings. As at the Latest Practicable Date, the construction of 宜興氿北花園三期 (Yixing Jiubei Garden Phase III), 紅星花園住宅 (Hongxing Residential Garden), 宜興高塍西城花園 (Yixing Gaocheng Xicheng Garden), 宜興高塍尚佳花園 (Yixing Gaocheng Shangjia Garden) and 宜興高塍尚水花園 (Yixing Gaocheng Shangshui Garden) was still on-going.

The competition in prefabricated construction industry in the PRC is not fierce, as it is still at its early stage of development in the PRC. According to the Ipsos Report, there were approximately 100 and 4 enterprises in the prefabricated construction industry in the PRC and Jiangsu Province in 2012, respectively. According to the Ipsos Report, our market share for prefabricated construction projects in the PRC and Jiangsu Province in 2012 accounted for approximately 1.4% and 29.9%, respectively.

BUSINESS MODEL

The principal raw materials that we source from our suppliers for steel structure projects are steel plates and colour-coated steel coil, while the principal raw materials for prefabricated construction projects are reinforcing bars, heat insulated materials and concrete. Our customers are typically property owners, subcontractors or main contractors of construction projects. We can undertake both steel structure projects and prefabricated construction projects by possessing the qualification of Grade One Steel Structure Engineering Professional Contractor. We provide our services on project basis through bidding and our contracting services are required to be tailored to meet with the specific requirements of our customers. For prefabricated construction projects, as there are limited market players in the prefabricated construction market, especially in Jiangsu Province, most of our prefabricated construction projects were engaged through direct referral and bidding process is not required. For both steel structure projects and prefabricated construction projects, progress payments are typically made by stages based on either achieving the milestone events stipulated in our contracts or the actual progress of our work.

COMPETITIVE STRENGTHS

We believe that our competitive strengths are that: (i) we are one of the largest steel structure construction service providers in Jiangsu Province; we have a solid reputation supported by strong track record as a steel structure construction service provider with rapid growth and successful completion of multiple projects; (ii) we are one of the largest prefabricated construction service providers in Jiangsu Province; we are well prepared and positioned to capture new opportunities in the growing PRC prefabricated construction industry; (iii) we have diversified into the prefabricated construction industry; our broad scope of services offered and proven project management abilities allow us to compete for a wide range of projects; and (iv) we have an experienced and dedicated management team with strategic vision.

BUSINESS STRATEGIES

In essence, our business strategies are to: (i) further increase our market share in the prefabricated construction industry in the high-growth urban areas in and around Jiangsu Province; (ii) further increase our market share in the steel structure industry both in our existing and new markets in the PRC; and (iii) further expand our workshops to support our growth.

RISK FACTORS

We believe that there are certain risks involved in our operations, many of which are beyond our control. They can be broadly categorised into risks relating to our Group, the construction industry and its market, conducting business in the PRC and the Global Offering, among which, the relatively material risks encompass: (i) we receive progress payments for our projects and our customers are entitled to withhold normally 5% to 20% of the contract value as retention money for typically one to two years after completion of the project (for the year ended 31 December 2012, certain projects involved retention amounts over 20% and as high as 40%), there is no guarantee that progress payment would be paid to us on time and in full, or that retention money would be fully released to us upon maturity of the retention period; (ii) we rely on third party installation teams to assist us with the installation work and may be adversely affected by their availability, performance and implementation of relevant safety and environmental protection measures; and (iii) our prefabricated construction services only commenced in late 2010 and there may not be an adequate basis on which to evaluate our future operating results and prospects on such business segment. Further details of the risks faced by us are set out in the "Risk factors" section of this prospectus.

REGULATORY NON-COMPLIANCE

Non-compliance under Regulations on Construction Enterprises with Foreign Investment

Details of non-compliance

In a corporate restructuring of our Group which took place in September 2007, Saite Steel (Jiangsu) was changed from a domestic enterprise to a WFOE. From September 2007 to July 2012, we undertook projects that were only allowed for domestic enterprises or sino-foreign equity joint ventures (with the investment of the Chinese investor being not less than 25% of its registered capital) and were in breach of article 15 of the Construction FI Regulations.

Penalty regime

- According to article 20 of the Construction FI Regulations, a company in breach of article 15 of the Construction FI Regulations and engaging in construction activities beyond its authorised scope according to its qualification, would be subject to penalty.

- Penalty includes monetary penalty in the amount of 2% to 4% of the value of the construction projects involved, order to suspend operation, downgrading of qualification awarded, and in cases of serious breach, disqualification of qualification awarded and confiscation of profits obtained from the non-compliance acts.

Confirmations obtained from competent authority

- We have obtained written confirmations from Jiangsu Department of Housing that, although Saite Steel (Jiangsu) was in breach of article 15 of the Construction FI Regulations, it did not engage in construction activities beyond its authorised scope according to its qualification as Grade One Steel Structure Engineering Professional Contractor. Therefore, there was no sufficient ground to penalise Saite Steel (Jiangsu) under article 20 of the Construction FI Regulations, the article which sets out the penalty regime of the Construction FI Regulations.

- Our PRC Legal Advisers confirmed that Jiangsu Department of Housing is the most appropriate and competent authority to administer the Construction FI Regulations.

No potential liability

Our Directors confirmed that there is no potential monetary penalty or liability which may be imposed on our Group.

Further information

Our Controlling Shareholders have undertaken to fully indemnify us from any and all liabilities arising from the non-compliance with article 15 of the Construction FI Regulations. Further information is set out in the paragraph headed "Regulations on Construction Enterprises with Foreign Investment" in the section headed "Business" in this prospectus.

Non-Compliant Bill Financing

Details of non-compliance

- From February 2008 to October 2010, we entered into bank acceptance notes agreements with certain commercial banks in the PRC for issuance of bank acceptance notes with a term of around six months to our suppliers as payment for our purchases from them. As the discount rates of bank acceptance notes were considered lower than the then prevailing interest rate for short-term bank loans we could obtain, we obtained funds through issuing such bank acceptance notes to certain of our suppliers but used the proceeds for purposes other than the payment of the purchases from these suppliers.

- This practice did not comply with the terms of the bank acceptance notes agreements and relevant PRC laws.

- For illustrative purposes, based on the prevailing interest rates for short-term bank loans for the year ended from 31 December 2009 and 2010, we estimated that our interest expenses saved from the Non-Compliant Bill Financing arrangement were approximately RMB33,300 for the year ended 31 December 2009, and our extra interest expenses incurred were approximately RMB81,800 for the year ended 31 December 2010.

- As the financial benefit from Non-Compliant Bill Financing became less attractive, our Directors had ceased entering into any further Non-Compliant Bill Financing since November 2010.

Penalty regime

As advised by our PRC Legal Advisers, there are no specific provisions in the PRC Negotiable Instruments Law, 支付結算辦法 (Measures for the Payment and Settlement) ("**Measures for the Payment and Settlement**") and other relevant laws and regulations prescribing definitive administrative penalties for such issuance of bank acceptance note without a real act of trading.

Confirmations obtained

The Yixing Branch of People's Bank of China, as the regulatory authority of matters relating to negotiable instruments in the jurisdiction where Saite Steel (Jiangsu) was established, confirmed in its letter dated 18 May 2012 that, as no administrative penalty is promulgated in relation to corporate bill financing activities under the current financial laws and regulations, no administrative penalties would be imposed on Saite Steel (Jiangsu), its associated companies and senior management due to the Non-Compliant Bill Financing.

Further information

Our Controlling Shareholders have undertaken to fully indemnify us from any and all liabilities arising from the Non-Compliant Bill Financing arrangements. Further information is set out in the paragraph headed "Non-Compliant Bill Financing" in the section headed "Business" in this prospectus.

FINANCIAL INFORMATION

The following tables regarding selected line items of our consolidated statements of profit or loss and other comprehensive income and consolidated statements of financial position summarise the consolidated financial information of our Group during the Track Record Period and the corresponding unaudited period ended 30 June 2012, details of which are set out in the Accountants' Report in Appendix I to this prospectus.

Selected consolidated statements of profit or loss and other comprehensive income

	Year ended 31 December			**Six months ended 30 June**	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue	406,904	646,818	1,048,078	673,400	815,281
Gross profit	104,029	189,877	336,201	216,352	267,481
Profit before tax	89,040	171,549	308,233	200,382	251,552
Profit and total comprehensive income for the year/period attributable to owners of the Company	61,282	117,962	203,827	133,512	166,353

Selected consolidated statements of financial position

	At 31 December			At 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	68,886	86,203	80,772	82,623
Current assets	292,096	477,637	564,978	888,866
Current liabilities	207,837	350,390	138,441	278,426
Net current assets	84,259	127,247	426,537	610,440
Non-current liability	9,365	19,308	42,673	62,074

The following tables set out, for the years or periods indicated, our revenue, gross profit and gross profit margin for our (i) steel structure projects and prefabricated construction projects; and (ii) public structure projects and non-public structure projects:

	Year ended 31 December									Six months ended 30 June					
	2010			2011			2012			2012 (*unaudited*)			2013		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
	RMB'000	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*
Construction of															
– steel structure projects	406,904	104,029	25.6	518,029	136,910	26.4	812,614	245,030	30.2	544,929	162,777	29.9	549,650	156,062	28.4
– prefabricated construction projects	–	–	–	128,789	52,967	41.1	235,464	91,171	38.7	128,471	53,575	41.7	265,631	111,419	41.9
Total	406,904	104,029	25.6	646,818	189,877	29.4	1,048,078	336,201	32.1	673,400	216,352	32.1	815,281	267,481	32.8

	Year ended 31 December									Six months ended 30 June					
	2010			2011			2012			2012 (*unaudited*)			2013		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
	RMB'000	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*
Construction of															
– public structure projects	138,626	35,897	25.9	179,450	70,865	39.5	328,494	112,228	34.2	167,328	57,554	34.4	510,244	189,990	37.2
– non-public structure projects	268,278	68,132	25.4	467,368	119,012	25.5	719,584	223,973	31.1	506,072	158,798	31.4	305,037	77,491	25.4
Total	406,904	104,029	25.6	646,818	189,877	29.4	1,048,078	336,201	32.1	673,400	216,352	32.1	815,281	267,481	32.8

Our increase in revenue during the Track Record Period was mainly driven by the increase in revenue of our construction of steel structure projects (which were primarily non-public structure projects) and the commencement of undertaking of prefabrication construction projects in late 2010. Gross profit margin for prefabrication construction projects, which were primarily public structure projects, was generally higher than that for steel structure projects as prefabrication construction method is rather new in the PRC and there are limited market players in the market including Jiangsu Province. Please refer to the paragraph headed "Principal items of consolidated statements of profit or loss and other comprehensive income" in the section headed "Financial information" in this prospectus for details.

Other key financial ratios and operational data

	Year ended 31 December			Six months ended 30 June
	2010	**2011**	**2012**	**2013**
Debtors' turnover *(days)*	112.6	102.3	73.2	65.9
Gearing ratio *(%)*	65.1	96.8	2.7	2.8

Our debtors' turnover days for the six months ended 30 June 2013 decreased to approximately 65.9 days from approximately 73.2 days for the year ended 31 December 2012 was due to our tightened credit and collection policies and faster collection of our trade receivables from our customers during the six months ended 30 June 2013. Our debtors' turnover days for the year ended 31 December 2012 decreased to approximately 73.2 days from approximately 102.3 days for the year ended 31 December 2011 was due to (i) our tightened credit and collection policies and faster collection of our trade receivables from our customers during the year ended 31 December 2012; and (ii) approximately RMB146.7 million, or 99.7% of our total trade receivables brought forward from previously completed projects were settled during the year ended 31 December 2012. Our debtors' turnover days for the year ended 31 December 2011 decreased to approximately 102.3 days from approximately 112.6 days for the year ended 31 December 2010 was due to (i) the trade receivables incurred for the year ended 31 December 2011 were settled by our customers at a faster rate as compared to that as at 31 December 2010; and (ii) approximately RMB86.0 million, or 59.5% of our total trade receivables brought forward from previously completed projects were settled during the year ended 31 December 2011. During the Track Record Period, no provision or write-off for trade receivables was made.

Our gearing ratio increased from approximately 65.1% as at 31 December 2010 to approximately 96.8% as at 31 December 2011. Such increase was due to the increase in our total debt of approximately 100.9% which outweighed the increase in our total equity of approximately 35.0%. Our gearing ratio decreased to approximately 2.7% as of 31 December 2012 primarily because we have repaid all the bank borrowings in 2012, and remained at similar level at approximately 2.8% as at 30 June 2013.

The table below sets out the average utilisation rate of our workshops during the Track Record Period:

	Year ended 31 December			Six months ended 30 June
	2010	**2011**	**2012**	**2013**
	Approximately	*Approximately*	*Approximately*	*Approximately*
Average utilisation rate of steel structure workshops *(%)*	67.5	43.6	94.1	62.6
Average utilisation rate of prefabricated construction workshop *(%)*	–	72.1	67.2	94.9

Please refer to the paragraph headed "Our workshops" in the section headed "Business" in this prospectus for details.

The table below sets out our recognised revenue and net value of new contracts during the Track Record Period, and value of backlog as at each of 31 December 2010, 2011 and 2012, and 30 June 2013:

	Year ended 31 December			Six months ended 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Opening value of backlog	30,279	280,802	61,111	467,709
Net value of new contracts[(1)]	657,427	427,127	1,454,676	1,101,076
Revenue recognition[(2)]	(406,904)	(646,818)	(1,048,078)	(815,281)
Closing value of backlog[(3)]	280,802	61,111	467,709	753,504

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Value of backlog	280,802[(4)]	61,111[(5)]	467,709[(6)]	753,504[(7)]
– ***Steel structure projects***				
Number of projects	9	5	6	8
Value of backlog *(RMB'000)*	168,356	49,866	123,669	293,681
Contract completion period	March 2011 to June 2011	January 2012 to June 2012	October 2012[(8)] to July 2013	July 2013 to June 2014
– ***Prefabricated construction projects***				
Number of projects	1	1	3	5
Value of backlog *(RMB'000)*	112,446	11,245	344,040	459,823
Contract completion period	March 2012	March 2012	April 2013 to June 2014	April 2013 to June 2014

Notes:

(1) Net value of new contracts refers to the aggregate value of the new projects (excluding the applicable value added tax) which were awarded to us during the relevant year or period indicated.

(2) Recognised revenue refers to the portion of the total estimated revenue that has been recognised in the relevant year or period indicated.

(3) Closing value of backlog refers to the portion of the total estimated revenue that has not been recognised with respect to projects that have not been 100% completed as at the end of the relevant year or period indicated.

(4) All of the three projects with backlog as at 31 December 2009 were completed in the year ended 31 December 2010. Out of the 40 newly awarded projects for the year ended 31 December 2010, 30 projects were completed in the same year, one project was in progress as at 31 December 2010 (of which portion not recognised as revenue was included in the backlog) and nine projects commenced construction in the year ended 31 December 2011 (of which total estimated revenue was included as backlog).

(5) Among the 10 projects with backlog as at 31 December 2010, nine projects were completed in the year ended 31 December 2011 and one project was in progress as at 31 December 2011 (of which portion not recognised as revenue was included in the backlog). Out of the 31 newly awarded projects for the year ended 31 December 2011, 26 projects were completed in the same year, four projects were in progress as at 31 December 2011 (of which portion not recognised as revenue was included in the backlog) and one project commenced construction in the year ended 31 December 2012 (of which total estimated revenue was included as backlog).

(6) All of the six projects with backlog as at 31 December 2011 were completed in the year ended 31 December 2012. Among the 28 newly awarded projects for the year ended 31 December 2012, 19 projects were completed in the same year, eight projects were in progress as at 31 December 2012 and one project commenced construction in January 2013 and was completed during the six months ended 30 June 2013. Out of the nine projects in progress or yet to commence construction as at 31 December 2012, four projects, representing approximately 28.0% of the net value of our new contracts in 2012, were entered into in late 2012 and were at their initial stage of construction with percentage of completion equal or less than 20%.

(7) Among the nine projects with backlog as at 31 December 2012, seven projects were completed during the six months ended 30 June 2013 and the remaining two projects were in progress as at 30 June 2013 (of which portion not recognised as revenue was included in the backlog). Out of the 16 newly awarded projects for the six months ended 30 June 2013, five projects were completed in the same period and 11 projects in progress as at 30 June 2013 (of which portion not recognised as revenue was included in the backlog).

(8) 鄂爾多斯海明堡直升機產業園 (Ordos Hummingbird Helicopter Production Plant) was scheduled to be completed in October 2012 according to its contract. Due to unfavourable weather condition, the project was temporarily suspended in October 2012 and resumed in April 2013.

RECENT DEVELOPMENTS

We were awarded one steel structure project for the two months ended 31 August 2013. As extracted from the unaudited management accounts of our Group, our total revenue for the two months ended 31 August 2013 amounted to approximately RMB269.9 million, comprising revenue of approximately RMB155.3 million from steel structure projects and revenue of approximately RMB114.5 million from prefabricated construction projects. For the two months ended 31 August 2013, our unaudited total cost of sales and unaudited gross profit amounted to approximately RMB175.6 million and RMB94.3 million respectively, and our unaudited gross profit margin amounted to approximately 34.9%. Our Directors confirm that, there has been no material adverse change in our financial or trading position since 30 June 2013 up to the date of this prospectus.

Our closing value of backlog, which represents the portion of the total estimated revenue that has not been recognised with respect to projects that have not been 100% completed as at 31 August 2013 was approximately RMB496.8 million, of which backlog in our steel structure projects and prefabricated construction projects was approximately RMB151.5 million and RMB345.3 million respectively. The total net value of the new contract awarded in the two months ended 31 August 2013 was approximately RMB13.2 million.

The total amount of expenses in relation to the Listing is estimated to be RMB51.1 million (based on the mid-point of our indicative price range for the Global Offering and assuming the Over-allotment Option is not exercised), of which approximately RMB24.1 million is expected to be capitalised after Listing. The remaining fees and expenses in the amount of approximately RMB27.0 million was or is expected to be charged to our profit or loss, of which RMB22.2 million was charged to our profit or loss during the Track Record Period.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2013

The forecast consolidated profit attributable to owners of our Company for the year ending 31 December 2013 is not less than RMB265.7 million and the unaudited pro forma forecast basic earnings per Share attributable to owners of our Company for the year ending 31 December 2013 is not less than RMB16.61 cents. Please refer to the paragraph headed "Profit forecast" in the section headed "Financial information" in this prospectus for details.

OFFER STATISTICS

	Based on an Offer Price of HK$1.03 per Share	**Based on an Offer Price of HK$1.25 per Share**
Market capitalisation of the Shares(1)	HK$1,648 million	HK$2,000 million
Prospective price/earnings multiple – pro forma fully diluted(2)	4.9 times	6.0 times
Unaudited pro forma adjusted net tangible asset value per Share(3)	HK$0.73	HK$0.78

Notes:

(1) The calculation of the market capitalisation of our Shares is based on 1,600,000,000 Shares in issue immediately after completion of the Global Offering and the Capitalisation Issue but does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option or of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the issuing mandate and the repurchase mandate.

(2) The calculation of the prospective price/earnings multiple on a pro forma fully diluted basis is based on the unaudited pro forma forecast basic earnings per Share attributable to owners of the Company (as disclosed in the paragraph headed "Profit forecast for the year ending 31 December 2013" above) on a pro forma fully

diluted basis for the year ending 31 December 2013 of RMB16.61 cents (HK20.85 cents) at the respective Offer Price of HK$1.03 and HK$1.25 per Share assuming that the Over-allotment Option is not exercised and that the 1,600,000,000 Shares were in issue (assuming the Shares in issue at the date of this prospectus and those Shares to be issued pursuant to the Capitalisation Issue and the Global Offering had been in issue on 1 January 2013 but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the issuing mandate and repurchase mandate).

(3) The unaudited pro forma adjusted net tangible asset value per Share has been arrived at after the adjustments referred to in the section headed "Financial information" in this prospectus and on the basis of 1,600,000,000 Shares in issue at the respective Offer Price of HK$1.03 and HK$1.25 per Share immediately following completion of the Global Offering and the Capitalisation Issue but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the issuing mandate and the repurchase mandate.

USE OF PROCEEDS

Assuming that the Over-allotment Option is not exercised and an Offer Price of HK$1.14 per Share (being the mid-point of the indicative Offer Price range), we estimate that the net proceeds to us from the Global Offering will be approximately HK$425.8 million, after deducting the underwriting fees and other estimated expenses payable by us in connection with the Global Offering. We intend to use the net proceeds from the Global Offering as follows:

- approximately 55.0% will be used to acquire factory premises for prefabricated construction business, expand our production capacity for prefabricated construction projects and finance our future prefabricated construction projects;
- approximately 23.8% will be used to expand our production capacity for steel structure projects and finance our future steel structure projects;
- approximately 11.2% will be used for potential acquisition of steel structure construction business and related production facilities;
- approximately 5.0% will be used for research and development;
- approximately 3.0% will be used for establishing sales offices and employing additional sales and marketing staff; and
- approximately 2.0% will be used for working capital and other general corporate purposes.

In the event that the Over-allotment Option is exercised, the additional net proceeds of approximately HK$61.4 million (assuming that the Offer Price is determined at the mid-point of the stated range) will be applied by our Company in the same proportions as set out above. To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes, we presently intend that such proceeds will be placed on short-term deposits with licensed banks or financial institutions.

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.

"Aim Elite"	Aim Elite International Limited, a company incorporated in the BVI on 5 July 2007, which was wholly owned by Keen Luck immediately before our Reorganisation and was interested in 49% of the entire issued share capital of Site Holdings immediately before our Reorganisation
"Application Form(s)"	**WHITE**, **YELLOW** and **GREEN** application form(s), or where the context so requires, any of them, which is used in relation to the Hong Kong Public Offer
"Articles"	the articles of association of our Company adopted on 11 October 2013 which will take effect on the Listing Date, as amended from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	our board of Directors
"Business Day(s)"	any day(s) (excluding Saturday(s) and Sunday(s)) in Hong Kong on which licensed banks in Hong Kong are open for banking business throughout their normal business hours
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Capitalisation Issue"	the issue of Shares to be made upon the capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in Appendix V to this prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant

"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Champ Origin"	Champ Origin Limited (冠源有限公司), a company incorporated in the BVI on 1 March 2011, which was owned as to 51% by Mr. Jiang and 49% by Mr. YX Jiang as at the Latest Practicable Date and was interested in 57.65% of Keen Luck as at the Latest Practicable Date, and one of our Controlling Shareholders
"Class B Construction Design Qualification"	Class B Construction Design Qualification (輕型鋼結構工程設計事項乙級資質) issued by the Jiangsu Department of Housing
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"Company"	China Saite Group Company Limited (中國賽特集團有限公司), an exempted company incorporated in the Cayman Islands on 31 July 2012 under the Companies Law with limited liability
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Construction FI Regulations"	Regulations on Construction Enterprises with Foreign Investment (外商投資建築業企業管理規定) jointly promulgated by the Ministry of Housing and the Ministry of Foreign Trade and Economic Cooperation on 27 September 2002
"Controlling Shareholders"	has/have the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to Keen Luck, Champ Origin, Mr. Jiang and Mr. YX Jiang, who together will control the exercise of approximately 63.75% voting rights in the general meeting of our Company after the Global Offering (assuming that the Over-allotment Option is not exercised)

"DBS"	DBS Asia Capital Limited, a licensed corporation under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities, being a Joint Sponsor, Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager to the Global Offering
"Directors"	director(s) of our Company
"GDP"	gross domestic product (all references to GDP growth rates are to real as opposed to nominal rates of GDP growth), unless otherwise stated
"Global Offering"	the Hong Kong Public Offer and the International Placing
"Grade One Steel Structure Engineering Professional Contractor"	Grade One Steel Structure Engineering Professional Contractor (鋼結構工程承包企業一級資質) issued by the Ministry of Housing
"GREEN Application Forms"	the application form(s) to be completed by the **HK eIPO White Form** Service Provider
"Group", "we", "our" and "us"	our Company and its subsidiaries or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, the present subsidiaries of our Company, some or any of them
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
"HK$" and "cents"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"HK eIPO White Form"	the application for the Hong Kong Public Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **HK eIPO White Form** (**www.hkeipo.hk**)
"HK eIPO White Form Service Provider"	The Bank of East Asia, Limited

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Public Offer"	the conditional offer of the Hong Kong Public Offer Shares by our Company for subscription by members of the public in Hong Kong for cash at the Offer Price, payable in full on application, on and subject to the terms and conditions stated herein and in the Application Forms
"Hong Kong Public Offer Shares"	the 40,000,000 Offer Shares initially offered for subscription under the Hong Kong Public Offer subject to reallocation as described in the section headed "Structure and conditions of the Global Offering" in this prospectus
"Hong Kong Public Offer Underwriters"	the underwriters listed in the paragraph headed "Hong Kong Public Offer Underwriters" under the section headed "Underwriting" in this prospectus, being the underwriters of the Hong Kong Public Offer
"Hong Kong Public Offer Underwriting Agreement"	the conditional public offer underwriting agreement dated 21 October 2013 relating to the Hong Kong Public Offer entered into by our Company, our Controlling Shareholders, our executive Directors, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Public Offer Underwriters, as further described in the section headed "Underwriting" in this prospectus
"Hong Kong Share Registrar"	Tricor Investor Services Limited, the Hong Kong share registrar of our Company
"Independent Third Party(ies)"	a person(s) or company(ies) which is/are independent of and not connected with (within the meaning of the Listing Rules) any directors, chief executive and Substantial Shareholders of our Company or any of its subsidiaries and their respective associates
"International Placing"	the conditional placing of the International Placing Shares by the International Underwriters for cash at the Offer Price, with professional, institutional and private investors as described in the section headed "Structure and conditions of the Global Offering" in this prospectus on and subject to the terms and conditions stated herein and in the International Placing Agreement

"International Placing Shares"	the 360,000,000 new Shares initially being offered for subscription by our Company under the International Placing subject to reallocation as described in the section headed "Structure and Conditions of the Global Offering" in this prospectus together with any additional Shares which may be issued by our Company upon the exercise of the Over-allotment Option
"International Underwriters"	the underwriters listed in the paragraph headed "International Underwriters" under the section headed "Underwriting" in this prospectus, being the underwriters of the International Placing
"International Underwriting Agreement"	the conditional underwriting agreement relating to the International Placing expected to be entered into on or about the Price Determination Date, among our Company, our Controlling Shareholders, our executive Directors, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the International Underwriters, as further described in the section headed "Underwriting" in this prospectus
"Ipsos"	Ipsos Hong Kong Ltd., the industry expert engaged by our Company to prepare the Ipsos Report
"Ipsos Report"	Market Study for Structural Steel Construction Industry in China published by Ipsos on 15 October 2013 and any supplements thereto
"Jiangsu Department of Housing"	江蘇省住房和城鄉建設廳 (Department of Housing and Urban-Rural Development of Jiangsu Province)
"Joint Sponsors" or "Joint Global Coordinators" or "Joint Bookrunners" or "Joint Lead Managers"	collectively, DBS and Kim Eng
"Keen Luck"	Keen Luck Group Limited (建瑞集團有限公司), a company incorporated in the BVI on 1 March 2011, which was owned as to 57.65% by Champ Origin, 30.59% by Pure Grand and 11.76% by Ms. Feng Mei (an Independent Third Party) as at the Latest Practicable Date, and one of our Controlling Shareholders

"Kim Eng"	Kim Eng Securities (Hong Kong) Limited, a licensed corporation under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities, being a Joint Sponsor, Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager to the Global Offering
"Latest Practicable Date"	15 October 2013, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Committee"	the listing sub-committee of the board of directors of the Stock Exchange
"Listing Date"	the date on which dealings in the Shares on the Main Board commences
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the stock market operated by the Stock Exchange, which excludes Growth Enterprise Market of the Stock Exchange and the options market
"Memorandum"	the memorandum of association of our Company adopted upon the incorporation of our Company, as amended from time to time
"Ministry of Housing"	中華人民共和國住房和城鄉建設部 (Ministry of Housing and Urban-Rural Development of the People's Republic of China), formerly known as 中華人民共和國建設部 (Ministry of Construction of the People's Republic of China)
"Modern Day"	Modern Day Holdings Limited (全傑控股有限公司), a company incorporated in Hong Kong on 22 February 2011, which was interested in 75% of the equity interest in Saite Steel (Jiangsu), and a wholly owned subsidiary of our Company as at the Latest Practicable Date

"Mr. Jiang"	Mr. Jiang Jianqiang (蔣建強), founder of our Group, our chairman, executive Director and one of our Controlling Shareholders
"Mr. Tong"	Mr. Tong Huijian (童惠建), an Independent Third Party
"Mr. YX Jiang"	Mr. Jiang Yixuan (蔣毅軒), the son of Mr. Jiang and one of our Controlling Shareholders
"Offer Price"	the final Hong Kong dollar price for each Offer Share (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee payable thereon) of not more than HK$1.25 per Offer Share and is expected to be not less than HK$1.03 per Offer Share at which the Offer Shares are to be offered for subscription pursuant to the Global Offering
"Offer Shares"	the Hong Kong Public Offer Shares and the International Placing Shares
"Over-allotment Option"	the option to be granted by our Company to the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) to require our Company to allot and issue Over-allotment Shares at the Offer Price to, among other things, cover over-allocations in the International Placing
"Over-allotment Shares"	up to an aggregate of 60,000,000 new Shares which our Company may be required to issue pursuant to the Over-allotment Option, representing approximately 15% of the number of Offer Shares initially available under the Global Offering
"PRC" or "China"	the People's Republic of China which, for the purposes of this prospectus only, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
"PRC Legal Advisers"	Jingtian & Gongcheng, a qualified PRC law firm acting as the PRC legal advisers to our Company for the application for listing on the Main Board of the Stock Exchange
"PRC Negotiable Instruments Law"	中華人民共和國票據法 (Negotiable Instruments Law of the PRC)

"Price Determination Agreement"	the agreement to be entered into between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before the Price Determination Date to fix and record the Offer Price
"Price Determination Date"	the date, expected to be on or about Friday, 25 October 2013, on which the Offer Price is expected to be determined for the purposes of the Global Offering and in any event no later than Thursday, 31 October 2013
"Pure Grand"	Pure Grand Limited (正弘有限公司), a company incorporated in the BVI on 20 January 2011, which was wholly owned by Mr. Tong Huijian (an Independent Third Party) as at the Latest Practicable Date and was interested in 30.59% of Keen Luck as at the Latest Practicable Date
"Reform Base"	Reform Base International Limited (綽基國際有限公司), a company incorporated in the BVI on 16 May 2007, which was wholly owned by Keen Luck before our Reorganisation and was interested as to 51% of the entire issued share capital of Site Holdings immediately before our Reorganisation
"Regulation S"	Regulation S under the US Securities Act
"Reorganisation"	the corporate reorganisation of our Group in preparation for Listing as described in the section headed "Reorganisation" in this prospectus
"RMB"	Renminbi, the lawful currency of the PRC
"S$"	Singapore dollars, the lawful currency of Singapore
"SAFE"	the State Administration of Foreign Exchange (國家外匯管理局)
"Saite Steel (BVI)"	China Saite (Overseas) Company Limited (中國賽特(海外)有限公司), a company incorporated in the BVI on 21 June 2012 and a wholly owned subsidiary of our Company as at the Latest Practicable Date

"Saite Steel (HK)"	China Saite (H.K.) Company Limited (中國賽特(香港)有限公司), a company incorporated in Hong Kong on 23 July 2012 and a wholly owned subsidiary of our Company as at the Latest Practicable Date
"Saite Steel (Jiangsu)"	江蘇賽特鋼結構有限公司 (Jiangsu Site Steel Structure Co. Ltd.), a company established in the PRC on 24 September 1998, which was owned as to 75% by Modern Day and as to 25% by Yixing Zhicheng as at the Latest Practicable Date, and a wholly owned subsidiary of our Company
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the ordinary share(s) of HK$0.10 each in the share capital of our Company
"Shareholder(s)"	holder(s) of the Share(s)
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 11 October 2013, a summary of principal terms of which is set out under the paragraph headed "Share Option Scheme" in Appendix V to this prospectus
"Site Holdings"	Site Holdings Pte. Ltd., a company incorporated in Singapore on 31 July 2007, which was owned as to 51% by Reform Base and as to 49% by Aim Elite immediately before our Reorganisation and was interested in the entire issued share capital of Modern Day immediately before our Reorganisation
"Southeast University"	東南大學 (Southeast University*) in China, which our Group established a research centre with them in 2011 to enhance our research and development capability on steel structures and prefabricated construction techniques
"sq.m." or "m^2"	square metres
"Stabilising Manager"	Kim Eng

"Stock Borrowing Agreement"	the stock borrowing agreement to be entered into between Keen Luck and the Stabilising Manager, pursuant to which the Stabilising Manager may borrow up to 60,000,000 Shares to cover any over-allocation in the International Placing
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Companies Ordinance
"Substantial Shareholder(s)"	has/have the meaning ascribed to it under the Listing Rules
"Takeovers Code"	The Hong Kong Codes on Takeovers and Mergers and Share Repurchase as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the three financial years ended 31 December 2012 and the six months ended 30 June 2013
"Underwriters"	the International Underwriters and the Hong Kong Public Offer Underwriters
"Underwriting Agreements"	the International Underwriting Agreement and the Hong Kong Public Offer Underwriting Agreement
"US" or "United States"	the United States of America
"US$" or "USD"	United States dollars, the lawful currency of the US
"WFOE"	wholly foreign owned enterprise
"Yixing Zhicheng"	宜興市至誠諮詢有限公司 (Yixing City Zhicheng Consultation Company Limited*), a company established in the PRC on 2 July 2012, which was interested in 25% of the equity interest in Saite Steel (Jiangsu), and a wholly owned subsidiary of our Company as at the Latest Practicable Date
"%"	per cent.

* *For identification purposes only*

Unless otherwise specified, amounts denominated in RMB and US$ have been converted into Hong Kong dollars and vice versa in this prospectus for the purpose of illustration only at the rates set out below:

RMB0.7966: HK$1.00
US$0.1290: HK$1.00

No representation is made that any amounts in RMB, US$ or HK$ can be or could have been converted at the relevant dates at the above rates or any other rates or at all.

If there is any inconsistency between the Chinese name of the PRC laws and regulations or the PRC entities mentioned in this prospectus and their English translation, the Chinese version shall prevail. Translated English names of Chinese natural persons, legal persons, governmental authorities, institutions or other entities for which no official English translation exist are unofficial translations for reference only.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be the arithmetic sum of the figures preceding them.

This glossary contains definitions and other terms as they relate to our Group and as they are used in this prospectus, which may not correspond to the standard industry definitions.

"assembling-standing machines"	machines used for standing the web for assembly with flanges to form H-beam steel
"ballasting rust removers"	machines used for removing rusts on metals by way of blasting beads on their surfaces at a high speed
"box-type steel"	steel beam(s) with square-shaped cross section, commonly used as columns in steel
"colour-coated steel coil(s)" or "colour steel plate(s)"	coated steel coil(s) having a base layer which is composed of steel and to whose at least one top face is applied, by hot dip coating, a zinc coating
"column beams"	a vertical member of a construction structure that supports the load, weight, wind force, and seismic force on a beam (i.e. a horizontal structural element a construction structure that is capable of withstanding load primarily by resisting bending)
"contract value"	value of contracts inclusive of value added tax which is not to be recognised as part of our revenue
"digital controlled material cutting machines"	digitally controlled machines used for cutting industrial materials, especially soft materials
"flange straightening machines"	machines used for straightening flanges of H-beam steel in the welding process
"gas protection welding machines"	welding machines which, during operation, create a layer of gas, such as carbon dioxide, around the welding joints, to prevent oxidation of such joints
"H-beam steel"	steel beam(s) with H-shaped cross section
"high pressure airless sprayers"	devices used for spraying paint coating onto metal surfaces through atomisation of paint with high pressure

"light steel structures"	steel structures with crane load of below 25 tons; average steel consumption of below 50 kilograms per sq.m. and steel plate thickness of below 10 millimetres. They mainly comprise thin-walled steel structures such as purlin and wall beams, welding or hot-rolled H-sections, portal frame as the main structure
"precast concrete facade panels"	concrete units for wall structure manufactured and assembled prior to arrival on site
"prefabricated construction projects"	construction with structural components such as columns, beams, trusses, wall panels and floor panels, manufactured in a factory and delivered at the work site for assembly
"prefabricated frame structures"	concrete building frames whose beams, columns, slabs, etc. have been cast prior to arrival on site for assembly
"secondary design"	the blueprint of steel structure provided to construction contractors or processing enterprises, which converts the architectural and structural design into more detailed specifications containing information such as the shape, quantity, weight of construction components to be used during construction and is easy to be understood by construction workers for factory manufacturing and onsite installation
"steel bending machines"	machines used for bending steel for materials used for prefabricated construction projects
"steel cutting machines"	machines used for cutting steel for materials used for prefabricated construction projects
"steel structure projects"	construction with steel and concrete as principle raw materials
"submerged arc welding machine"	welding machines which use a welding power supply to create an electric arc between an electrode and the base material to melt the metals at the welding point

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should evaluate the following risks associated with an investment in our Company before making any investment decision regarding our Company. You should pay particular attention to the fact that our Company is incorporated in the Cayman Islands and all of our operations are conducted in the PRC and are governed by a legal and regulatory environment which in some respects may differ from that in Hong Kong. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial condition or on the trading price of our Shares, and could cause you to lose all or part of your investment.

RISKS RELATING TO OUR GROUP

We are reliant on the PRC market and we may be unable to adjust our resources to other markets in the event of an economic downturn in the PRC

During the Track Record Period, all of our revenue was derived from customers in the PRC. We anticipate that revenue from customers based in the PRC will continue to represent a majority of our revenue. Any adverse change in the economic condition in the PRC may directly or indirectly affect the demand for our services, and our business operations and financial condition may also be adversely affected as a result.

Should there be an economic downturn or credit crisis in the PRC for any reason, our ability to borrow funds from funding sources, if necessary, may be limited, which in turn could materially and adversely affect our business, liquidity, results of operations, financial condition, and most importantly, our expansion plans. Moreover, apart from our access to funds, economic downturn or credit crisis will also affect our customers, and may in turn reduce the demand for our services or affect their abilities to settle amounts owed to us. As such, we cannot assure that our business operations will not suffer adverse effects caused by previous or future credit crisis in the future.

All of our revenue is project based and we may not be successful in winning bids

During the Track Record Period, all of our revenue was derived from projects that we participated. Most of such projects required intended contractor(s)/supplier(s) to submit quotation documents and relevant contract(s) before such project(s) would be awarded to the contractor(s)/supplier(s) which won the bids. We cannot guarantee that our quotation documents that we submit will be selected by the grantor(s) of the contract(s). If our quotation documents is not being chosen, we will not be able to obtain the relevant project offered, and our business operations and financial condition may be materially adversely affected. Likewise, if we cannot secure new customers or our existing customers do not engage us to provide services to them, our business operations and financial condition may be materially adversely affected.

If we fail to accurately estimate our costs or fail to execute within our cost estimates on fixed-price contracts or our material costs increase substantially after we have entered into contracts with our customers, our results of operations would be adversely affected

Our revenue is substantially derived from fixed-price contracts, with prices being determined by reference to our quotation documents which were substantially agreed to at the time a project is awarded to us. We are typically responsible for all of our own costs, and our ability to achieve our target profitability on any project is largely dependent on our ability to accurately estimate and control these costs. Substantial increase in material costs may result in a lower profit or even a loss on a project. During the Track Record Period, there was one project executed in 2011 which resulted in our own construction costs exceeding the net value of contract (excluding the applicable value-added tax) by approximately RMB0.4 million. We incurred loss because our budgeted profit margin for that project was low as compared to other projects after considering the complexity of that project and the possibility of developing a long term business relationship with that customer. The low budgeted profit margin thus offered limited buffer to capture the increase in material costs. The amount of total costs we incur on a project is affected by a variety of factors, including, among other things, fluctuations in the price of raw materials, variations in labour costs over the term of a contract and changes in project scope or conditions. Although some of our contracts provide for pricing adjustments if certain specified events occur, these adjustment provisions may not adequately protect us in the event of a cost overrun. If our costs for a project exceed the contracted price and any price adjustment provisions in the relevant contract do not cover the cost overrun, we may incur losses, which could materially and adversely affect our financial condition and results of operations.

We had previously breached the PRC laws to undertake projects that were only allowed for domestic enterprises or sino-foreign joint ventures from September 2007 to July 2012

According to the Construction FI Regulations, only domestic enterprises (a Chinese company whose shareholders are not foreign companies, enterprises or entities) or sino-foreign equity joint ventures (with the investment of the Chinese investor being not less than 25% of its registered capital) can undertake construction projects within its authorised scope in respect of its qualification. From November 2005 to September 2007, Saite Steel (Jiangsu) was a domestic enterprise which could undertake steel structure construction projects within its authorised scope as a Grade One Steel Structure Engineering Professional Contractor, which allows Saite Steel (Jiangsu) to undertake all kinds of steel structure projects without limitation in span, contract sum, construction area or total weight of construction. On 25 September 2007, Saite Steel (Jiangsu) became a WFOE and it was subsequently changed to a sino-foreign equity joint venture on 2 July 2012. During such period, Saite Steel (Jiangsu) had continued to undertake projects that were only allowed for domestic enterprises or sino-foreign equity joint ventures (with the investment of the Chinese investor being not less than 25% of its registered capital), therefore had failed to comply with the Construction FI Regulations. In June 2012, we conducted meetings with the Jiangsu Department of Housing to report and consult with them regarding the non-compliance of Construction FI Regulations from 25 September 2007 when Saite Steel (Jiangsu) became a WFOE and we had subsequently obtained written confirmations from the Jiangsu Department of Housing confirming that, among others, it had not and would not impose any administrative penalty or punishment on Saite Steel (Jiangsu) in relation to the non-compliance of Construction FI Regulations. Please refer to the paragraph headed "Regulations on Construction Enterprises with Foreign Investment" in the section headed "Business" of this prospectus for details. However, we cannot assure you that the relevant government authorities will not impose penalties retrospectively for the previous non-compliance.

We have previously entered into certain bill financing transactions with our suppliers and banks and such transactions were not in compliance with the PRC laws

During the Track Record Period, Saite Steel (Jiangsu) and one of our suppliers, entered into certain non-compliant bill financing arrangements with certain PRC commercial banks that involved the issuance of bank acceptance notes for non-trade related purposes. After considering our relationship with the commercial banks involved and the discount rates of bank acceptance notes were considered lower than the then prevailing interest rates for short-term bank loans we could obtain during 2009 to 2010, to take advantage of these lower interest rates, we obtained funds through issuing such bank acceptance notes to one of our suppliers but used the proceeds for purposes other than for payment of the purchases from such supplier. Such arrangement did not comply with the terms of the bank acceptance notes agreements and Article 10 of the PRC Negotiable Instruments Law. The total face amount of the bank acceptance notes issued under such arrangement which were used for purposes other than for payment of the actual purchases from such supplier amounted to RMB85.0 million and RMB25.0 million for the two years ended 31 December 2010, respectively. Details of these arrangements are set out in the paragraph headed "Non-Compliant Bill Financing" in the section headed "Business" of this prospectus.

We have ceased entering into any further non-compliant bill financing transactions and implemented measures to strengthen our internal controls. We have settled all related bills on or before April 2011. However, we cannot assure you that the relevant regulatory authorities will not impose penalties and/or sue us retrospectively for the previous non-compliant bill financing transactions. Any penalties and/or fines imposed on us could adversely affect our business, financial condition and results of operations.

Our revenue is mainly derived from construction projects which are not recurring in nature and there is no guarantee that our past or current customers will provide us with new business

During the Track Record Period, most of our revenue was derived from construction projects which are not recurring in nature. There is no guarantee that we will be able to secure new contracts with customers. If we are not able to secure new contracts with customers, our future revenue and hence our future profit will be adversely affected.

We receive payments for our projects by progress payment and customers will withhold a percentage of payment as retention money, and there is no guarantee that progress payment would be paid to us on time and in full, or that retention money is fully released to us upon maturity of the retention period

We receive payments for our projects in progress payments upon achieving certain project milestones or based on the actual progress of our work performed. Our customers are allowed to retain a portion of the total contract amount as the retention money during the retention period.

In some cases, the retention money is released to us by instalments over the period when the retention money is being held, whereas in other cases, the entire retention money is released to us in one-off payment after the maturity of the retention period. Generally, those contracts with longer retention period would require our customers to release the retention money to us by instalments over the retention period instead of one-off payment after the maturity of the retention period. Further details are set out in the paragraph headed "Payment terms" under the section headed "Business" in this prospectus. As at 31 December 2010, 2011 and 2012, and 30 June 2013, retention receivables of approximately RMB47.6 million, RMB70.2 million RMB161.2 million and RMB199.3 million were retained by our customers, respectively. Save for the effects of the High Retention Projects as described below, the increase in our retention receivables was in line with the increase in our revenue over the respective financial periods.

During the Track Record Period, retention period normally ranged between one to two years and retention amount ranged between 5% to 20% of contract value. In 2012, certain new contracts awarded to us have longer retention period and higher percentage of contract value as retention money. For the year ended 31 December 2012, we were awarded 28 new contracts, of which two contracts had retention period of three years and seven contracts had retention amount higher than 20% of contract value. Five out of such seven contracts had relatively high gross profit margin of over 29%. Our Directors confirm that when accepting projects with high retention amounts, factors such as feasibility and profitability of the project, reputation and background of the customer, and potential future business opportunities to be introduced by the customers are considered. Our Directors believe that offering more competitive terms to certain customers will open up more channels for revenue.

Our customers are generally property owners, main contractors or subcontractors in construction projects which have financial risks of their development projects not being able to proceed according to budget, or being delayed or terminated. Main contractors or subcontractors are also subject to the credit risks of their customers. There can be no assurance that progress payment would be paid to us on time and in full, or the retention money will be released by our customers to us on a timely basis and in full or that the level of bad debt arising from such payment practice can be maintained at the same level as in the Track Record Period. Any failure by our customers to make remittance on time and in full may have an adverse effect on our future liquidity position. Our retention receivables which were past due were approximately RMB14.3 million, RMB19.4 million, nil and nil as at 31 December 2010, 2011 and 2012, and 30 June 2013, respectively. During the Track Record Period, there had not been any incidents where our customers defaulted in their payment obligations to us.

We rely on third party installation teams and subcontractors and may be adversely affected by their availability, performance and implementation of relevant safety and environmental protection measures

We engage third party installation teams to assist us with the installation work and we may subcontract part of our construction services to subcontractors which are Independent Third Parties where necessary. For the three years ended 31 December 2012 and the six months ended 30 June 2013, we incurred a total amount of approximately RMB79.8 million, RMB121.4 million, RMB211.2 million and RMB177.1 million, respectively, as actual installation costs. We may face difficulties in completing our projects on a timely manner if we are unable to engage third party installation teams or subcontractors or they fail to complete the installation works in a timely manner as required by us. If installation teams or subcontractors deliver substandard work, the quality of our project and our reputation may be materially and adversely affected and we may be exposed to litigation and damages claims.

If the third party installation teams or subcontractors violate any laws, rules or regulations or their actions or omissions cause property damage or personal injuries, we may be exposed to prosecution by the relevant government authorities and may be liable to claims for personal injury and damage to properties. Although we conduct regular visits at the work sites, we cannot assure you that there would not be any violation of laws, rules and regulations by third party installation teams or subcontractors, including the relevant safety and environmental protection measures.

In addition, we may be unable to identify suitable installation teams or subcontractors for our project, or to agree on mutually satisfactory terms with them, which would limit our ability to execute projects in those markets. By outsourcing a portion of our work, we also assume responsibility for the performance of the third party installation teams or subcontractors in the relevant projects. We may also be required to indemnify our customers for any damages caused by the third party installation teams or subcontractors. As the worker of the third party installation teams are not our employees, we may not be able to monitor their performance as thoroughly and effectively as our own operations.

If any of the third party installation teams or subcontractors fails to carry out their contractual obligations for any reason, including insolvency or labour disputes, we could be forced to incur significant additional costs to perform their obligations. Moreover, any defective work carried out by the third party installation teams or subcontractors could have a negative impact on our reputation, even if we are not at fault, and could hinder our ability to win future contracts. If any of the foregoing events occurs, our business, financial condition and results of operations could be adversely and materially affected.

Our services in prefabricated construction projects commenced in late 2010; there may not be an adequate basis on which to evaluate our future operating results and prospects on such segment based on our short historical financial performance

We started to provide construction solution services and undertake projects in prefabricated construction projects in late 2010 and have since experienced significant growth. For the financial years ended 31 December 2011 and 2012, and the six months ended 30 June 2013, our revenue derived from prefabricated construction projects amounted to approximately RMB128.8 million, RMB235.5 million and RMB265.6 million respectively, representing approximately 19.9%, 22.5% and 32.6% of our total revenue during the respective periods. Furthermore, our total gross profit margins of our prefabricated construction projects were generally higher than those of our steel structure projects. Due to our limited operation history of projects undertaken for prefabricated construction projects, there may not be an adequate basis on which to evaluate our future operating results and prospects on such segment based on our short historical financial performance. Moreover, we cannot guarantee that we are able to grow our business in this area successfully or maintain such level of gross profit margins. The rate of its future growth may not continue at the same level as the growth we have experienced in the past. As our past results of this segment of business may not be indicative of our results in the future, investors may have difficulties evaluating our business and prospects of such business segment.

We may be subject to project risks; any delay in the project or if the project fails to complete will affect our ability to recognise our revenue or receive payment at all from our customers; and delay in projects will also affect our allocation of resources

Our projects may be delayed due to various factors beyond our control, including the construction progress of the underlying buildings. As part of the construction work of the underlying buildings, the schedules of our installation works have to fit into, and heavily depend on, the overall construction schedules of the underlying buildings. However, the construction progress of the underlying buildings may experience unexpected difficulties as a result of weather conditions, financing difficulties, liquidity of property owners, subcontractors or main contractors of construction projects, availability of sufficient labour force, regulatory approval processes, government requirements, changes in the design of the buildings or products, and other factors. If our projects are delayed for whatever reason, we may not be able to recognise our revenue or receive payment from our customers as expected, and our allocation of resources, business, financial condition and results of operations may be materially and adversely affected.

We need to maintain qualifications for the operation of our construction business and any delay in obtaining and renewing, suspension or revocation of these qualifications and licences could significantly hinder our business and reduce our expected turnover and profits

We are required to maintain qualifications to conduct our construction business. We possess the qualification of Grade One Steel Structure Engineering Professional Contractor awarded by the Ministry of Housing which allows us to undertake all kinds of steel structure projects without limitation in span, contract sum, construction area or total weight of construction. We also possess the qualification of Class B Construction Design Qualification awarded by Jiangsu Department of Housing which enables us to undertake design works of light steel structures in the PRC. If there is any delay in renewing any of our qualifications or any of our qualifications is temporarily suspended or even revoked, this would directly impact our capability to undertake relevant works and would reduce our turnover and profits in the future.

In addition, if there are any subsequent modifications of, or additions or new restrictions to, the current compliance standards, this would impose an additional burden on us to maintain our compliance status. If we fail to meet any of the conditions required to maintain our permits, licences, certificates and qualifications, or if we are found to be in non-compliance by such authorities, they could be temporarily suspended or even revoked, or their renewal could be delayed, and we could be subject to fines or other sanctions. Any of such events occurring in the future may have a material and adverse effect on our operations.

If we fail to meet the requirements or quality standards specified in our project contracts, we may face litigation, incur penalties or additional costs or experience delays or difficulties in receiving payments, which may adversely affect our business and reputation

We are typically required to complete each project according to a fixed schedule by an agreed date as stated in the relevant contracts. If we fail to complete a project in a timely manner resulting in a breach of our contractual obligations, we may be liable to compensate our customers for losses or damages caused by the delay. Although we did not make any compensation to third parties due to delay of projects during the Track Record Period, we cannot assure you that we will not be required to make such compensation in the future. Any delay in completion of a project, whether or not caused by us, could also lead to additional costs being incurred, including costs to hire additional manpower and to provide temporary storage for assembled products. Any failure on our part to complete a project in a timely manner could also harm our reputation in the industry and hinder our ability to win future contracts and, as a result, our business, financial condition and results of operations could be materially and adversely affected.

In addition, we may be liable to compensate our customers for any losses sustained by them if any of our employees, third party installation teams or subcontractors do not complete projects in accordance with the terms specified in the relevant contracts. Although we were not required to compensate any third parties due to work defects during the Track Record Period, we cannot assure you that we will not be required to do so in the future. As most of our projects require tailor-made construction components, any use of unsuitable materials would result in extra costs being incurred on our part due to additional materials and labour being required to rectify such errors. Any such work defects could also have a negative impact on our reputation, which could hinder our ability to win future contracts. Moreover, a severe technical defect could lead to personal injury or property damage, which could result in litigation and liability for damages. These litigation costs, together with the payment of damages, could adversely affect our profitability and financial performance.

We may not be able to secure adequate supplies of raw materials in a timely manner and are subject to the fluctuations in the prices of raw material supplies

The main raw materials that we use include different kinds of steel materials, colour-coated steel coil, heat insulated materials and concrete. Our five largest suppliers of raw materials accounted for approximately 43.1%, 42.3%, 75.5% and 87.9% of our actual cost of materials incurred for each of the years ended 31 December 2012 and the six months ended 30 June 2013 respectively. We adopted similar selection policy and criteria when selecting suppliers of raw materials during the year ended 31 December 2012 and the six months ended 30 June 2013 as in other periods during the Track Record Period. The significant increase of percentage of purchase from our five largest suppliers of raw materials during the year ended 31 December 2012 as compared to the year ended 31 December 2011 was mainly due to the increase of our purchase from two of these suppliers which supplied us with steel materials for our construction of 香港亞洲第一製藥新沂醫藥工業園 (Hong Kong Asia First Pharmacy Xinyi Medical Industrial Park) which required more steel structure parts as construction materials during the period and the more competitive quotation as well as performance and quality of a few suppliers during our normal selection process of suppliers in various projects in this period. For the six months ended 30 June 2013, we continued to engage such two suppliers and they provided materials for a number of our steel structure projects including bridges, sports centre and factory premises. We cannot assure you that we will be able to secure adequate supplies of raw materials to meet all of our future production needs at commercially reasonable prices or that our suppliers will deliver raw materials pursuant to supply agreements or in a timely manner. As a result, our costs may increase or we may be not be able to meet project schedules, which could harm our reputation or require us to compensate our customers.

Furthermore, our raw materials, particularly steel materials, are subject to price fluctuations. Generally, we bid for projects based on our estimate of the price of steel at the time we purchase the steel materials. There is a time lag between the time we submit our quotation documents and the time we purchase steel materials for the purpose of the relevant project, if we successfully won the project; and the price of steel materials may vary during such period. Except for limited situations where we are entitled to price adjustment pursuant to our contracts, we may not be able to pass the increase in the raw material costs to our customers, which could materially and adversely affect our financial condition and results of operations.

We record our revenue and profits on the basis of our best estimates at the relevant times, which are subject to inherent uncertainties and subsequent adjustments

We measure and recognise our revenue using the percentage-of-completion method of accounting, by reference to the value of work performed during the year. We recognise our profits based on the latest available budget of the construction projects with reference to the overall performance of each construction contract which requires management's best estimates and judgements. We estimate the construction revenue in accordance with the terms set out in the relevant contracts and the construction costs based on the quotations from time to time provided by the major contractors and suppliers involved. We regularly review the budget and revise the estimated construction revenue and construction cost. Although we estimate the construction revenue and construction costs based on our best efforts and experience, the inherent uncertainty of the estimation may result material differences between the actual revenue and cost from the estimates, which could result in material adjustments to our profits in subsequent fiscal periods.

The growth rate of our net value of new contracts during the Track Record Period may not be indicative of the growth rate of our new contract value in future

Our net value of new contracts, which refers to the value of contracts for the new projects (excluding the applicable value added tax) awarded to us during the relevant periods, was approximately RMB653.8 million, RMB427.1 million, RMB1,454.7 million and RMB1,101.1 million for the three years ended 31 December 2012 and the six months ended 30 June 2013, respectively. We anticipate an expansion of our business operations over the next few years. However, our growth will depend on a number of factors, many of which are beyond our control, including but not limited to global economic condition, macroeconomic policies of the PRC government, the level of competition in our industry, and changes in market demand. We cannot assure you that we will be able to maintain our historically high growth rate and, to the extent that we experience any significant decrease in demand for our services or increase in competition, our growth, financial condition and results of operations may be materially and adversely affected. You should not rely on our past growth rate of our net value of new contracts in the Track Record Period as an indication of our growth rate of our net value of new contracts in the future.

Reliance on key management personnel may impose risks on our Group

Our performance and success is, to a significant extent, attributable to contributions of our executive Directors, Mr. Jiang and Mr. Shao Xiaoqiang and our senior management staff. Both Mr. Jiang and Mr. Shao Xiaoqiang have been with our Group for more than 13 years. Competition for senior management and key personnel in our industry is intense and the pool of qualified candidates is limited. Hence, we may not be able to retain the services of our Directors and members of senior management or other key personnel, or attract and retain high-quality personnel in the future. If any of these persons or any other members of the senior management team departs from us, and we are not able to hire a suitable replacement on a timely basis, our business operations and financial condition may be materially adversely affected.

Our inability to adequately protect our proprietary technology could have a material adverse effect on our business

We rely on relevant technology, information, trade secrets, know-how and market research data to conduct our business and to attract and retain customers. The success of our business depends on our ability to protect our know-how and our intellectual property portfolio, and to obtain patents without infringing the proprietary rights of others. If we do not effectively protect our know-how and intellectual property, our business and operating results could be adversely affected.

We may not be able to use some of our major patents if the licensor terminates the licence agreement with us

We are not the patent owner of some of the major patents used in our operations, namely 大型單元裝配式夾心裝飾板 (Large unit assembled sandwich decoration board), 預製組裝式保溫牆體 (Prefabricated assembly type heat insulated wall) and 柱、樑、牆一體預製內保溫牆體 (Integrated prefabricating thermal insulation wall by pillar, girder and wall). We have entered into a long-term licence agreement with the licensor to grant us exclusive licence during the licence period. However, the licensor has the right to terminate the licence agreement in the event that we materially breach the licence agreement such as transferring the rights under the licence agreement to any third parties without the consent of the licensor so that the purpose of the licence agreement is not able to be realised, or arising of any force majeure event such as war, strike, riot, crime, hurricane, flooding, earthquake which prevents one or both parties from fulfilling the obligations under the licence agreement, which occur for a period longer than six months. If the licensor terminates the licence agreement with us for any reason, we may need to redesign our products or operation procedures or seek licenses from other third parties whom may require us to pay ongoing royalties. We may also be involved in litigation proceedings with the licensor or subject to injunctions prohibiting the use of the technologies.

A material disruption of our operations could adversely affect our business

Our operations are subject to uncertainties and contingencies beyond our control that could result in material disruptions in our operations and adversely affect our business. These include industrial accidents, fires, floods, droughts, storms, earthquakes, natural disasters and other catastrophes, equipment failures or other operational problems, strikes or other labour difficulties. If there is any damage to our workshops, we may not be able to remedy such situations in a timely and proper manner, and our production and hence our ability to provide our services in a timely manner could be materially and adversely affected. Any breakdown or malfunction of any of our equipment could cause a material disruption of our operations. Any such disruption in our operations could cause us to reduce or halt our operation, adversely affect our business reputation, increase our costs of production or require us to make unplanned capital expenditures, any one of which could materially and adversely affect our business, financial condition and results of operations.

We may not be able to detect and prevent fraud or other misconduct which may be committed by our employees or third parties

Fraud and other misconduct which may be committed by our employees or third parties can be difficult to prevent or deter despite our internal control and corporate governance practices. Such illegal actions could subject us to financial losses and harm our business and operations. In addition to potential financial losses, improper acts of our employees or third parties could subject us to third party claims and regulatory investigations. Any fraud or other misconduct committed by our employees or third parties, whether involving past acts or future acts, could have an adverse effect on our reputation, business, financial condition and results of operations.

Our insurance coverage is limited and we may be required to bear all or a certain portion of the financial consequences of any successful workers' compensation claims or other claims made against us, which could have a material and adverse effect on our results of operations and financial condition

We generally do not maintain any business disruption insurance policies. We generally rely on the all-risks insurance policies for our construction projects to cover matters such as workers' compensation claims and we only maintain separate workers' compensation policies in a limited number of instances where we are legally or contractually required to do so. We cannot assure you that property owners, subcontractors or main contractors for our projects will maintain or continue to maintain sufficient workers' compensation policy or other policies that would adequately indemnify us for any related losses or liabilities that we may experience in connection with our work on that project. Moreover, we cannot assure you that we can successfully collect any payouts made under such all-risks insurance policies from our customers. If a workers' compensation claim or any claim is successfully made against us, or if we experience any business disruption, we may have to bear the full amount of any monetary damages ordered against us as well as the costs of any related litigation or arbitration proceedings, which could have a material and adverse effect on our reputation, business, financial condition and results of operations.

We may be unable to keep up with the changes in the market needs or technological developments in our industry and may not be able to expand into new markets

Our competitiveness in the steel structure and prefabricated construction markets depends in large part on our ability to keep up with changes in market needs and technological developments so that we are able to continuously tailor our services to meet our customers' needs. We devote financial and human resources to the research and development of new techniques and materials, which are subject to continuous evolution and changes. There is no assurance that such techniques or materials developed will be well accepted by the market, or such techniques or materials can be developed and put into market in a timely manner or at all. In the event that we are unable to develop new techniques or materials that meet the needs of our customers or that our competitors have developed new and more advanced techniques or materials, our business, financial condition and results of operations may be materially and adversely affected.

Our plans may not be successful or be achieved within the expected time frame or within the estimated budget

We intend to increase our market share in the prefabricated construction industry and the steel structure construction industry in the PRC, through extending our sales and marketing network and expanding our production capacity. As a result, we are subject to all of the risks that are specific to the potential markets and the risks inherent in the unforeseen costs and expenses, challenges, complications, and delays encountered in connection with market expansion.

Our operations and market expansion may be hindered by risks including but not limited to regional differences, instability or changes in the political, regulatory or economic environment, lack of understanding of the relevant business environment, differences in legal burdens in complying with relevant laws and regulations, differences in the licensing regime, the bidding regime, and payment practices, and stringent product liability and warranty requirements.

There is no assurance that we will be able to successfully maintain or increase our market share or grow our business successfully after deploying our management and financial resources. Any failure in maintaining our current market position or implementing our plans could materially and adversely affect our business, financial condition and results of operations.

Dividends declared in the past may not be indicative of our dividend policy in the future

For the three years ended 31 December 2012 and the six months ended 30 June 2013, Saite Steel (Jiangsu) distributed dividends in the amount of approximately RMB9.0 million, RMB17.6 million, nil and nil respectively to its then shareholders. Dividends paid or declared by us in the past may not be indicative of our dividend policy in the future. Our Board has an absolute discretion to recommend any dividend for any year, subject to our Articles, the relevant laws and regulations and our Shareholders' approvals at our general meeting. There is no assurance that dividends of any amount will be declared or distributed in any year.

We may be a party to legal proceedings from time to time and we cannot assure you that such legal proceedings will not have a material adverse impact on our business

Due to the nature of our business, we may become involved in claims, legal proceedings and investigations relating to, among other things, warranty, indemnification or liability claims, contractual disputes with customers or subcontractors, labour disputes, workers' compensation, and safety, environmental or other legal requirements. In particular, we may have disputes with the third party installation teams or subcontractors or due to various factors beyond our control. We may also be subject to claims for personal injury and property damage arising from our projects. Legal proceedings can be time-consuming, expensive, and may divert our management's attention away from the operation of our business. The legal proceedings to which we are a party or may in the future become a party may have a material and adverse impact on our business.

Our cash flow position may be adversely affected if we take up too many significant projects at a particular period of time

As far as a single project is concerned, net cash outflows are normally recorded at the early stage of carrying out our works when we are required to procure raw materials. Progress payments will be paid after our works commence and are certified by our customers and accordingly the cash flows for a particular project will turn into accumulative net inflows gradually as the works progress. If we take up too many significant projects at a particular period of time, which require substantial initial setting up costs without cash inflow from other projects during such period of time, our cash flow position may be adversely affected.

We face risks relating to our indebtedness

Our gearing ratios (i.e. our total debt (including payables incurred not in the ordinary course of business) divided by the equity attributable to our Shareholders) were approximately 65.1%, 96.8%, 2.7% and 2.8% as at 31 December 2010, 31 December 2011, 31 December 2012 and 30 June 2013, respectively. As at 30 June 2013, we have no outstanding bank borrowings.

Whilst our operating cash flows and re-financing activities have, in the past, been sufficient to meet and/or service our debt repayment obligations, we cannot assure you that we will continue to be able to do so in the future. In addition, most of our bank borrowings during the Track Record Period were required to be guaranteed by third party guarantors and historically, we had relied on Mr. Jiang and/or his family members and certain of our customers to provide such guarantees. In the event that our guarantors do not grant further guarantees in our favour, we may not be able to secure sufficient bank borrowings in the future.

Further, in the event that are incur any borrowings in the future, any significant increase in the interest rates on our borrowings could increase our financing costs and have an adverse effect on our financial performance. Our borrowings, if any in the future, may also limit our ability to pay dividends, undertake major capital expenditure or investments, raise additional capital or pursue our growth plan. If such borrowings fall due and we are unable to source alternative fundings, our operations could be adversely affected.

Extraordinary events such as epidemics, natural disasters, political unrest and terrorist attacks could significantly delay, or even prevent us from completing, our projects

Certain regions in the world, including the cities where we operate, are susceptible to epidemics such as Severe Acute Respiratory Syndrome, or SARS, avian influenza or swine influenza. Past occurrences of epidemics, depending on their scale of occurrence, have caused different degrees of damage to the national and local economies in various countries and regions. A recurrence of SARS, avian influenza or swine influenza or an outbreak of any other epidemics, especially in the cities where we have operations, may result in material disruptions to our projects, and our sales and marketing efforts, which in turn could materially and adversely affect our financial condition and results of operations.

Other extraordinary events, including political unrest, terrorist attacks and natural disasters such as earthquakes, snowstorms and hurricanes, could significantly delay our project progress if they occur at a location near to that of our projects, our suppliers or our workshops. Such events may cause personnel casualties, loss of inventory, work disruptions and delays and damages to the buildings under construction or our workshops. We typically remain obligated to perform our services after a natural disaster or terrorist action unless the contract contains a clause that relieves us of our contractual obligations upon the occurrence such extraordinary events. If we are not able to react quickly upon the occurrence of these types of extraordinary events and our operations are disrupted significantly, and the insurance policies we maintained for the contracts are not adequate to cover all the losses, our business, financial condition and results of operations may be materially and adversely affected.

RISKS RELATING TO THE CONSTRUCTION INDUSTRY AND ITS MARKET

Our business depends very much on the continuous use of steel structure parts and prefabricated construction materials in the construction industry. Industry-wide adoption and usage of other existing or new building materials might serious affect our business

We provide construction solution services to property owners, subcontractors or main contractors of construction projects in relation to steel structure projects and prefabricated construction projects. Our business growth during the Track Record Period has been riding on the development of the steel structure industry and prefabricated construction industry in the PRC. According to the Ipsos Report, the total consumption volume of steel structure industry in the PRC increased by a CAGR of approximately 13.7% from 2007 to 2012, and the total consumption volume of prefabricated industry in the PRC increased by a CAGR of approximately 57.0% from 2007 to 2012. In the event that the use of steel structure parts or prefabricated construction materials are replaced by new materials, our business, financial condition and results of operations would be adversely affected. Our services may not be applicable to such new techniques and we may not be able to develop appropriate services successfully to cater for the industry-wide adoption of other existing or new techniques or materials.

We face significant and increasing competition in the market in which we operate, and failure to compete efficiently could materially and adversely affect our business

We operate in a highly competitive industry in which our competitors include a number of international and China-based companies that provide services similar to ours. In particular, the steel structure industry in the PRC is fragmented, with close to 10,300 players in 2012. Some of these competitors may have stronger brand names, greater access to capital, longer operating histories, longer or more established relationships with their customers, and greater marketing and other resources than we do. Due to the evolving markets in which we compete, additional competitors with significant market presence and financial resources may enter those markets, and thereby intensify the competition. These competitors may be able to reduce our market share by adopting more aggressive pricing policies than we can or by developing technology and services that gain wider market acceptance. Existing and potential competitors may also develop relationships with our customers in a manner that could significantly harm our ability to sell and market. If we fail to maintain or improve our market position or fail to respond successfully to changes in the competitive landscape, our business, financial condition and results of operations may be materially and adversely affected.

We are subject to inherent risks in the construction industry such as industrial accidents, fire, personal injury, and suspension of water and electricity supplies, which may adversely affect our reputation and results of operations

We are subject to construction risks such as industrial accidents, fire, personal injury, suspension of water and electricity supplies, which may not only affect our work progress but may also pose risks to our properties located on the work site.

Due to the nature of our business, we engage or may engage in highly dangerous work at times, including operations conducted high above ground level. Despite compliance with the requisite safety requirements and standards, we are subject to practical risks surrounding these activities, such as the risk of equipment failure. These hazards can cause personal injury and loss of life, damage to or destruction of property and equipment, any of which could result in us being liable for damages to third parties.

Any harm caused by our operations could damage our reputation and relationships with regulators and other customers, which may materially hinder our ability to obtain new contracts.

We are exposed to environmental liabilities and may have to incur significant capital expenditure if additional or stricter laws and regulations are passed in relation to environmental protection

Under the relevant PRC environmental laws and regulations, the construction, expansion and operation of our workshops are subject to certain environmental permits and other relevant PRC government environmental approvals. The failure to obtain such permits or approvals may subject us to fines and penalties imposed by the relevant PRC government and we may be required to suspend the use of our workshops or vacate the premises. In addition, we are also required to comply with applicable national and local environmental regulations. If we fail to comply with present or future applicable environmental regulations, we may be required to pay substantial fines, suspend production or cease operations. Any failure by us to control the use or to restrict adequately the discharge of hazardous substances could subject us to potentially significant monetary damages and fines or suspensions in our business operations, which would have a material adverse effect on our business and results of operations.

In addition, we cannot assure you that future changes in PRC environmental protection laws and regulations will not impose costly compliance requirements on us or otherwise subject us to future liabilities. As China is experiencing substantial issues with environmental pollution, it is likely that the national, provincial and local governmental agencies will adopt regulations setting forth stricter pollution controls and requirements in the future. Any such regulation applicable to us would cause us to incur significant capital expenditure and increase our operating costs.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Political and economic policies of the PRC government could affect our business

Our results, financial condition and prospects are to a significant degree subject to the economic, political and legal developments of the PRC, as all of our revenue during the Track Record Period was derived from operations that take place in the PRC. The economic, political and social conditions, as well as government policies, including taxation policies, of the PRC, could affect our business. The PRC economy differs from the economies of other countries in many respects. The PRC economy has historically been a planned economy and has been in a transitional stage to a more market-driven economy. Although the PRC government has implemented measures emphasising the use of market forces for economic reform in recent years, there can be no assurance that economic, political or legal systems of the PRC will not develop in a way that is detrimental to our business, results of operations and prospects.

The government control of currency conversion could affect our business operations

During the Track Record Period, all of our revenue was received in RMB. At present, RMB is not freely convertible to other currencies. Under the current foreign exchange regulations, RMB is convertible without approvals from the State Administration of Foreign Exchange only with regard to current account transactions, including trade and service related foreign exchange transactions and payment of dividends to foreign investors, while the foreign exchange transactions in respect of capital account items including the foreign currency capital in any foreign investment enterprise in the PRC, the repayment of foreign currency loans and the payment pursuant to foreign currency guarantees, continue to be subject to significant foreign exchange controls and require the prior approval of the State Administration of Foreign Exchange. There can be no assurance that the PRC government will not impose more stringent restrictions on the convertibility of RMB, especially relating to foreign exchange transactions.

Uncertainties regarding interpretation and enforcement of the PRC laws and regulations may impose adverse impact on our business, operations and profitability

Although many laws and regulations have been promulgated and amended in the PRC since 1978, the PRC legal system is still not sufficiently comprehensive when compared to the legal systems of certain developed countries. The interpretation of the PRC laws and regulations may be influenced by momentary policy changes reflecting domestic political and social changes. In addition, it may also be difficult to enforce judgments and arbitration awards in the PRC.

Many laws and regulations in the PRC are promulgated in broad principles and the Central People's Government has gradually laid down implementation rules and has continued to refine and modify such laws and regulations. As the PRC legal system develops, the promulgation of new laws or refinement and modification of existing laws may affect foreign investors. There can be no assurance that future changes in legislation or the interpretation thereof will not have an adverse effect upon our business, operations or profitability.

PRC regulations on loans to and direct investment by offshore holding companies in PRC entities may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC subsidiary

As an offshore holding company of our PRC subsidiary, we may make loans to our PRC subsidiary, or we may make additional capital contributions to our PRC subsidiary. Any loans to our PRC subsidiary are subject to PRC regulations and foreign exchange loan registrations. For example, loans by us to our PRC subsidiary to finance its activities cannot exceed statutory limits and must be registered with the SAFE or its local counterpart. We may also determine to finance our PRC subsidiary by means of capital contributions. These capital contributions must be approved by the Ministry of Commerce of the PRC or its local counterpart. We cannot assure you that we can obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to finance our PRC subsidiary. If we fail to receive relevant registrations or approvals, our ability to use the proceeds of this offering and to capitalise our PRC operations would be negatively affected which would adversely and materially affect our liquidity and our ability to expand our business.

PRC regulations relating to acquisitions of Chinese companies by foreign entities may limit our ability to acquire Chinese companies and adversely affect the implementation of our strategy as well as our business and prospects

關於外國投資者併購境內企業的規定 (Rules on the Acquisition of Domestic Enterprises by Foreign Investors (2006 Revision)) ("**M&A Rules**"), which were promulgated in August 2006, became effective from 8 September 2006 and were amended on 22 June 2009, provide the rules with which foreign investors must comply if they are seeking to acquire shares in a non-foreign funded enterprise, whether through a purchase agreement with existing shareholders or through a direct subscription from a company, that would result in that company becoming a foreign-funded enterprise. The M&A Rules further require that the business scope of the resultant foreign-funded enterprise conform to 外商投資產業指導目錄 (Foreign Investment Industrial Guidance Catalogue). The M&A Rules also provide the takeover procedures for the acquisition of equity interests in domestic enterprises.

There are uncertainties as to how the M&A Rules will be interpreted or implemented. If we decide to acquire a Chinese company (any company established in the PRC in compliance with relevant PRC laws and regulations in relation to its establishment and has obtained a corporate status accordingly) in the future, there is no assurance that we or the owners of such Chinese company can successfully complete all necessary approval requirements under the M&A Rules. This may restrict our ability to implement our expansion and acquisition strategy and could materially and adversely affect our future growth.

We are a holding company and rely on dividend payments from our subsidiary

We are a holding company and all of our business operation was carried out through our operating subsidiary in the PRC during the Track Record Period. As a result, our ability to pay dividends depends on dividends and other distributions received from our operating subsidiary. If our subsidiary incurs debt or losses, it may impair its ability to pay dividends or other distributions to us, which could adversely affect our ability to pay dividends to our Shareholders.

PRC law requires foreign invested enterprises, such as our subsidiary in the PRC, to set aside part of its net profit as statutory reserves. Our PRC subsidiary is required to set aside each year at least 10% of its after-tax profits for such year, as reported in its PRC statutory financial statements, to the statutory surplus reserve of such PRC subsidiary. Such reserve may not be discontinued until the accumulated amount has reached 50% of the registered capital of the PRC subsidiary. These statutory reserves are not available for distribution to us, except in liquidation. The calculation of distributable profits under the PRC Accounting Standards and Regulations differs in many aspects from the calculation under Hong Kong Financial Reporting Standards ("**HKFRSs**"). As a result, our subsidiary in the PRC may not be able to pay any dividend in a given year to us if it does not have distributable profits as determined under the PRC Accounting Standards and Regulations, even if it has profits for that year as determined under HKFRSs.

Limitations on the ability of our PRC subsidiary to remit its entire after-tax profits to us in the form of dividends or other distributions could adversely affect our ability to grow, make investments that could be beneficial to our business, pay dividends and otherwise fund and conduct our business. We cannot assure that our subsidiary will generate sufficient earnings and cash flows to pay dividends or otherwise distribute sufficient funds to us to enable us to pay dividends to our Shareholders.

The Enterprise Income Tax Law and its implementation rules stipulate that if an entity is deemed to be a non-PRC resident enterprise without an establishment or place of business in the PRC, withholding tax at the rate of 10% will be applicable to any dividends paid to it by its PRC subsidiary, unless it is entitled to reduction or elimination of such tax, including by tax treaties.

In addition, restrictive covenants in bank credit facilities, joint venture agreements or other arrangements that we or our subsidiaries may enter into in the future may also restrict the ability of our subsidiaries to pay dividends or make distributions to us. These restrictions could reduce the amount of dividends or other distributions we receive from our subsidiaries, which in turn would restrict our ability to pay dividends to our Shareholders.

Dividends payable by us to our foreign investors may become subject to withholding tax under PRC tax laws

Under the new PRC Enterprise Income Tax Law and its implementation regulations issued by the State Council, to the extent such dividends for earnings derived since 1 January 2008 are sourced within China and we are considered a "resident enterprise" for PRC tax law purposes, then PRC income tax at the rate of 10% is applicable to dividends payable by us to investors that are "non-resident enterprises" so long as any such "non-resident enterprise" investor does not have an establishment or place of business in China or, despite the existence of such establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China. A lower withholding tax rate may apply if such "non-resident enterprise" is incorporated in a jurisdiction that has entered into an income tax treaty or agreement with China that allows a lower withholding. Similarly, any gain realised on the transfer of the Shares by such "non-resident enterprise" investors is also subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China and we are considered a "resident enterprise" in China. If we are required under the new tax law to withhold PRC income tax on our dividends payable to our foreign shareholders who are "non-resident enterprises," or if you are required to pay PRC income tax on the transfer of our Shares, the value of your investment in our Shares may be materially adversely affected. It is unclear whether, if we are considered a PRC "resident enterprise," holders of our Shares might be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or regions.

RISKS RELATING TO THE GLOBAL OFFERING

Shareholders' interests in the share capital of our Company may be diluted in the future

We may in the future expand our capabilities and business through acquisition, joint venture and strategic partnership with parties who can add value to our business. We may require additional equity funding after the Global Offering and the equity interest of our Shareholders will be diluted should our Company issue new Shares to finance future acquisitions, joint ventures and strategic partnerships and alliances.

Any exercise of the options to be granted under the Share Option Scheme in the future and issuance of Shares thereunder would also result in the reduction in the percentage ownership of our Shareholders. There may also be a dilution in the earnings per Share and net asset value per Share as a result of the increase in the number of Shares outstanding after the issue of such additional Shares. Under the HKFRS 2, the costs of share options to be granted to employees under the Share Option Scheme will be charged to our income statement over the vesting period by reference to the fair value at the date at which the share options are granted. As a result, our profitability may be adversely affected.

Lack of liquidity of the Shares and volatility of the market price may be resulted

Prior to the Global Offering, there has been no public market for our Shares. There is no guarantee that a liquid public market for our Shares will develop or be sustained upon completion of the Global Offering. In addition, the Offer Price has been determined by negotiations between the Joint Global Coordinators (acting for themselves and on behalf of the Underwriters) and our Company, and may not be indicative of the market price of our Shares that will prevail in the trading market and such market prices may be volatile.

If an active public market for our Shares does not develop after the Global Offering, the market price and liquidity of our Shares may be adversely affected. Investors may not be able to sell their Shares at or above the initial public offering price. The stock market of Hong Kong generally has experienced increasing price and volume fluctuations, some of which have been unrelated or have not corresponded to the operating performances of such companies in recent years. Volatility in the price of our Shares may be caused by factors outside our control and may be unrelated or disproportionate to our operating results.

Fluctuation of RMB may affect value of our dividends (if any) and our financial condition

The value of RMB may fluctuate which is subject to the government policy of the PRC. The conversion of RMB into foreign currencies in the PRC, including HK dollars and US dollars, was based on exchange rates published by the People's Bank of China. We understand that the official exchange rate for the conversion of the RMB to US dollars had been in general stable during that period. However, since 2005, RMB has been pegged to a basket of currencies instead of US dollars alone.

Since our financial statements are denominated in RMB, all of our revenue is derived in RMB while dividends (if any) payable to our Shareholders will be paid in HK dollars, any fluctuation of RMB, in particular a depreciation in the RMB, may adversely affect the value of our net assets, earnings and declared dividend in foreign currency terms.

Investors may experience difficulties in effecting service of legal process and enforcing judgments against our Company and our management

Our Company is a company incorporated in the Cayman Islands under the Companies Law with limited liability and the law of the Cayman Islands relating to the protection of the interests of minority Shareholders differ in some respects from those of Hong Kong or other jurisdictions where investors may be located. As a result, the remedies available to the minority Shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions.

Our Company's corporate affairs are governed by the Memorandum and Articles, the Companies Law and the common law of the Cayman Islands. The rights of our Shareholders to take legal action against our Directors and our Company, actions by minority Shareholders and the fiduciary responsibilities of our Directors to our Company under the Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands.

In addition, although our Company will be subject to the Listing Rules and the Takeovers Code upon the listing of our Shares on the Stock Exchange, our Shareholders will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules.

Furthermore, the Takeovers Code does not have the force of law and only provide standards of commercial conduct acceptable for takeover and merger transactions and share repurchases in Hong Kong.

As a result of any or all of the above, our Shareholders may have more difficulty in protecting their interests in the face of actions taken against our Company's management, directors or major shareholders than they would as shareholders of a Hong Kong company or companies incorporated in other jurisdictions.

Further information in relation to the constitution of our Company and the Cayman Islands company law is set out in Appendix IV to this prospectus.

Termination of the Hong Kong Public Offer Underwriting Agreement

Prospective investors of the Offer Shares should note that the Hong Kong Public Offer Underwriters are entitled to terminate their obligations under the Hong Kong Public Offer Underwriting Agreement by the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Public Offer Underwriters) giving notice in writing to our Company upon the occurrence of any of the events stated in the sub-section headed "Grounds for termination" under the section headed "Underwriting" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such events include, without limitation, any acts of God, wars, riots, public disorder, civil commotion, fire, flood, tsunami, explosions, epidemic, pandemic, acts of terrorism, earthquakes, strikes or lock-outs.

We cannot guarantee the accuracy of facts and other statistics with respect to our industry and the PRC economy contained in this prospectus

We have derived certain facts and other statistics in this prospectus relating to the steel structure and prefabricated construction industries and the PRC economy, from various government publications or various organisations that we believe to be reliable. However, we cannot guarantee the quality or reliability of such source materials. While our Directors have taken reasonable care in the reproduction of the information, they have not been prepared or independently verified by us, the Underwriters or any of our or their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the

PRC. The facts and other statistics include the facts and statistics included in the sections headed "Risk factors", "Industry overview" and "Business" in this prospectus. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to official statistics produced for other economies and you should not place undue reliance on them. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such facts or statistics.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties

This prospectus contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain pro forma information and other matters.

The words "anticipate", "believe", "could", "predict", "potential", "continue", "expect", "intend", "may", "plan", "seek", "will", "would", "should" and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward looking statements, including, amongst others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessarily estimates reflecting the best judgement of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in the section headed "Risk factors" in this prospectus. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

We strongly caution you not to place any reliance on any information contained in press articles or media regarding us or the Global Offering

There may be press or media coverage regarding us or the Global Offering, which may include certain financial information, financial projections and other information about us that do not appear in this prospectus. We have not authorised the disclosure of any such information in the press or media. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the financial, operational and other information included in this prospectus.

In preparation for Listing, we have sought the following waiver from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE

Waiver from strict compliance with Rule 8.12 of the Listing Rules

An application has been submitted to the Stock Exchange for a waiver from strict compliance with Rule 8.12 of the Listing Rules which requires a new applicant applying for primary listing on the Main Board to have sufficient management presence in Hong Kong. This normally means that at least two of the issuer's executive directors must be ordinarily resident in Hong Kong. Since the principal business operation and workshops of our Group are located in Yixing, Jiangsu Province, the PRC, the senior management team of our Group is and will continue to be based in the PRC. At present, none of our executive Directors are ordinarily residing in Hong Kong. Further, our Directors consider that it would be practically difficult and not commercially feasible for our Company to appoint two Hong Kong residents as executive Directors or to relocate any of the existing executive Directors to Hong Kong merely for the purpose of complying with Rule 8.12 of the Listing Rules. Accordingly, we do not and, in the foreseeable future, will not have a sufficient management presence in Hong Kong for the purposes of satisfying the requirement under Rule 8.12 of the Listing Rules.

In this regard, the Stock Exchange has granted a waiver to our Company from strict compliance with the requirement under Rule 8.12 of the Listing Rules. In this respect, our Company has appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, namely, Mr. Jiang, our founder, chairman and executive Director, and Mr. Wong Kwok Kuen, our chief financial officer and company secretary, who will act as our principal channel of communication with the Stock Exchange. Mr. Wong Kwok Kuen is a Hong Kong resident and is contactable by the Stock Exchange. Mr. Jiang has confirmed that he possesses valid travel documents and can readily travel to Hong Kong. Each of the authorised representatives of our Company has confirmed that each of them will be available to meet with the Stock Exchange in Hong Kong within a reasonable time upon request of the Stock Exchange and will be readily contactable by telephone, facsimile and e-mail and that each of them has the means to contact all Directors promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. Each of them is authorised to communicate on behalf of our Company with the Stock Exchange.

All of our Directors who are not ordinarily resident in Hong Kong have also confirmed that they possess valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange in Hong Kong within a reasonable period of time when required. Each of our Directors has provided his mobile phone number, office phone number, email address and fax number to the authorised representatives and the Stock Exchange.

In addition, our Company has appointed a compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our Company's financial results for the first full financial year after the Listing Date. The compliance adviser will act as an additional channel of communication with the Stock Exchange.

Furthermore, our Company shall also appoint other professional advisers (including legal advisers and accountants) after Listing to assist our Company in dealing with any questions which may be raised by the Stock Exchange and to ensure that there will be efficient communication with the Stock Exchange.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purposes of giving information to the public with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive;
- there are no other matters the omission of which would make any statement herein or this prospectus misleading; and
- all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

UNDERWRITING

The Global Offering comprises the Hong Kong Public Offer and the International Placing. Details of the structure and conditions of the Global Offering are set out in the section headed "Structure and conditions of the Global Offering" in this prospectus. This prospectus is published in connection with the Global Offering and, together with the related Application Forms, set out the terms and conditions of the Global Offering.

The Global Offering is sponsored by the Joint Sponsors, and the Hong Kong Public Offer is fully underwritten by the Hong Kong Public Offer Underwriters under the terms of the Hong Kong Public Offer Underwriting Agreement, subject to the agreement on the Offer Price between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or before the Price Determination Date). Full information relating to the Underwriters and the underwriting arrangements, is set out in the section headed "Underwriting" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which is expected to be determined by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or around Friday, 25 October 2013 or such later time as may be agreed between the parties, but in any event, no later than Thursday, 31 October 2013.

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us by Thursday, 31 October 2013, the Global Offering will not become unconditional and will lapse immediately.

RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES

No action has been taken to permit any public offering of the Offer Shares or the distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it calculated to invite or solicit offers in any jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom.

The Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and the representations made in this prospectus and the related Application Forms. So far as the Global Offering is concerned, no person is authorised in connection with the Global Offering to give any information or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Joint Global Coordinators, the Joint Sponsors, the Underwriters, any of their respective directors or any other parties involved in the Global Offering.

Each person acquiring the Offer Shares will be required to, or be deemed by his acquisition of Offer Shares, to confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered any Offer Shares in circumstances that contravene any such restrictions.

Prospective applicants for Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the listing committee of the Stock Exchange for the granting of the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the Capitalisation Issue and any Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme. No part of our Shares is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Under section 44B(1) of the Companies Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to us by the Stock Exchange.

Subject to the granting of the listing of, and permission to deal in, our Shares on the Stock Exchange and compliance of the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day (as defined in the Listing Rules) after any trading day. You should seek the advice of your stockbroker or other professional advisers for details of those settlement arrangements as such arrangements will affect your rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

HONG KONG SHARE REGISTER AND STAMP DUTY

All Shares issued pursuant to applications made in the Global Offering will be registered on our Company's register of members to be maintained in Hong Kong. Our principal register of members will be maintained by our Company's principal share registrar in the Cayman Islands.

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal, and dealing in our Shares (exercising rights attached to them). None of us, the Joint Sponsors, the Joint Global Coordinators, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

OVER-ALLOTMENT AND STABILISATION

In connection with the Global Offering, Kim Eng, as the Stabilising Manager, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such transactions may be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager to conduct such stabilisation. Such stabilisation, if taken, may be discontinued at any time, and is required to be be brought to an end after a limited period.

In connection with the Global Offering, our Company has granted to the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) the Over-allotment Option, which will be exercisable in full or part by the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement until 30 days after the last day for lodging of applications under the Hong Kong Public Offer. Pursuant to the Over-allotment Option, our Company may be required to issue at the Offer Price up to an additional 60,000,000 Shares, representing 15% of the initial number of the Offer Shares, at the Offer Price to cover, among other things, over-allocations in the International Placing.

Further details with respect to stabilisation and the Over-allotment Option are set out in the paragraphs headed "Over-allotment Option" and "Stabilisation" under the section headed "Structure and conditions of the Global Offering" in this prospectus.

PROCEDURES FOR APPLICATION FOR HONG KONG PUBLIC OFFER SHARES

The procedures for applying for Hong Kong Public Offer Shares is set out in the section headed "How to apply for Hong Kong Public Offer Shares" in this prospectus and on the relevant Application Forms.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure and conditions of the Global Offering, including its conditions, are set out in the section headed "Structure and conditions of the Global Offering" in this prospectus.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, government authorities, institutions, natural persons or other entities included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed herein are due to rounding.

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
Jiang Jianqiang (蔣建強)	Room No. 6, Xia Xin Du Cheng Xi Village Gao Cheng Town, Yixing City Jiangsu Province the PRC	Chinese
Shao Xiaoqiang (邵小強)	Room 402, Building H03 Jia He Garden, Yixing City Jiangsu Province the PRC	Chinese
Wu Yimin (吳益民)	No. 59 Long Ze Yuan Yi Cheng Street Yixing City Jiangsu Province the PRC	Chinese
Independent non-executive Directors		
Xu Jiaming (徐家明)	Room 201 No. 90 Ning Hai Road Central Gu Lou District Nanjing City the PRC	Chinese
Chen Tiegang (陳鐵鋼)	Room 302 No. 5 Guang Rong Road East Yi Cheng Street Yixing City Jiangsu Province the PRC	Chinese
Ma Chun Fung Horace (馬振峰) (formerly known as Ma Ka Keung (馬家強))	42C, Broadway 12th Floor Mei Foo Sun Chuen Kowloon Hong Kong	Chinese

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners, and Joint Lead Managers	DBS Asia Capital Limited 17th Floor, The Center 99 Queen's Road Central Hong Kong
	Kim Eng Securities (Hong Kong) Limited Level 30, Three Pacific Place 1 Queen's Road East Hong Kong
Auditors and reporting accountants	Deloitte Touche Tohmatsu 35/F One Pacific Place 88 Queensway Hong Kong
Our legal advisers	
as to Hong Kong law	Chiu & Partners 40th Floor, Jardine House 1 Connaught Place Hong Kong
as to PRC law	Jingtian & Gongcheng 34/F, Tower 3, China Central Place 77 Jianguo Road Chaoyang District Beijing, 100025, China
as to Cayman Islands law	Conyers Dill & Pearman (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands

Legal advisers to the Joint Sponsors and the Underwriters	
as to Hong Kong law	Deacons 5/F, Alexandra House 18 Chater Road Central Hong Kong
as to PRC law	Commerce & Finance Law Offices 6F NCI Tower A12 Jianguomenwai Avenue Beijing 100022 PRC
Property valuer	Savills Valuation and Professional Services Limited 23rd Floor, Two Exchange Square Central Hong Kong
Receiving bank	DBS Bank (Hong Kong) Limited 16/F, The Center 99 Queen's Road Central Hong Kong

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarter and principal place of business in the PRC	No. 2 Saite Road Gaocheng Industrial Park Yixing Jiangsu Province the PRC
Principal place of business in Hong Kong	Unit 6105 61/F, The Center 99 Queen's Road Central Hong Kong
Company website	www.chinasaite.com.cn
Compliance adviser	Kim Eng Securities (Hong Kong) Limited Level 30, Three Pacific Place 1 Queen's Road East Hong Kong
Company secretary	Mr. Wong Kwok Kuen *CPA*
Authorised representatives	Mr. Jiang Jianqiang Room No. 6, Xia Xin Du Cheng Xi Village Gao Cheng Town, Yixing City Jiangsu Province the PRC Mr. Wong Kwok Kuen Room 2414, Hing Yat House Kwai Hing Estate Kwai Chung New Territories Hong Kong
Audit committee	Mr. Ma Chun Fung Horace (formerly known as Ma Ka Keung) *(Chairman)* Mr. Xu Jiaming Mr. Chen Tiegang

Remuneration committee	Mr. Chen Tiegang *(Chairman)* Mr. Ma Chun Fung Horace (formerly known as Ma Ka Keung) Mr. Shao Xiaoqiang
Nomination committee	Mr. Jiang Jianqiang *(Chairman)* Mr. Xu Jiaming Mr. Chen Tiegang
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited 26/F., Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Cayman Islands share registrar and transfer office	Royal Bank of Canada Trust Company (Cayman) Limited 4th Fl., Royal Bank House 24 Shedden Road, PO Box 1586 Grand Cayman KY1-1110 Cayman Islands
Principal bankers	China Construction Bank (Yixing Gaocheng Branch) Renmin West Road Gaocheng Town Yixing City, the PRC Agricultural Bank of China (Yixing Chengzhong Branch) No. 293 Jiefang East Road Yixing City, the PRC Jiangsu Yixing Rural Commercial Bank (Gaocheng Branch) No. 38 Renmin West Road Gaocheng Town Yixing City, the PRC Bank of Shanghai (Wuxi Branch) No. 205 Hongxing Road Gaocheng Town Yixing City, the PRC

Certain facts, statistics and data presented in this section and elsewhere in this prospectus have been derived, in part, from various government official publications. Whilst our Directors have taken all reasonable care to ensure that the relevant facts and statistics are accurately reproduced from these official government sources, such facts and statistics have not been independently verified by our Company, our Shareholders, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective affiliates, directors and advisers or any other parties involved in the Global Offering, and none of them makes any representation as to the accuracy or completeness of such information. Our Directors have no reason to believe that such facts, statistics and data presented in this section is false or misleading or that any fact has been omitted that would render such facts, statistics and data false or misleading. In this section, other than the Ipsos Report, information regarding the relevant industries has been recited or extracted from certain articles, reports or publications, and their preparations were not commissioned or funded by us or the Joint Sponsors. Our Directors confirm that after taking reasonable care, there is no adverse change in the market information since the date of the Ipsos Report which may qualify, contradict or have an impact on the information in this section of this prospectus.

INTRODUCTION

We are an integrated steel structure and prefabricated construction solution service provider headquartered in Yixing, Jiangsu Province, the PRC with an operation history of approximately 15 years. Our integrated construction solution services are customised to meet the technical specifications and requirements of different projects and span from fabrication and assembly of steel structure parts and prefabricated construction materials at our workshops to the installation of these materials onsite, based on the secondary design (as to our steel structure projects) provided by us or our customers. For steel structure projects, we provide our services on project basis through bidding and our contracting services are required to be tailored to meet with the specific requirements of our customers. For prefabricated construction projects, as the competitors in the market, especially in Jiangsu Province, are limited to a few enterprises, most projects are engaged through direct referral and a bidding process is not required.

We are principally engaged in (i) steel structure projects in respect of, among others, bridges, train stations, stadiums, exhibition centres and factory premises which involve structures such as steel columns, girders and beams of a construction; and (ii) prefabricated construction projects in respect of, among others, residential buildings (including social security housing), factory and shopping mall which involve structures such as beams, columns, column beams and precast concrete facade panels.

SOURCES OF THE INDUSTRY INFORMATION

We commissioned Ipsos, an Independent Third Party, to conduct an industry analysis of and produce the Ipsos Report on, amongst other things, steel structure and prefabricated construction industries in the PRC and in particular, Jiangsu Province, for inclusion in this prospectus. Ipsos received a total of approximately HK$418,000 for the research and preparation of the Ipsos Report. The payment of such amount was not conditional on our successful listing or on the results of the Ipsos Report.

Founded in Paris, France, in 1975 and publicly-listed on the NYSE Euronext Paris in 1999, Ipsos SA acquired Synovate Ltd. in October 2011. After the combination, Ipsos becomes the third largest research company in the world which employs approximately 16,000 personnel worldwide across 85 countries.

Ipsos conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence. Ipsos has been conducting market research for various industries in initial public offerings of companies listed on the Stock Exchange, including but not limited to apparel, computer video cards manufacturing, curtain wall manufacturing, education, fitting out contracting service, human resources consultancy services, luxury handbags retailing, pawn loan and mortgage services, packaging and point-of-sale display units for consumer products, stainless steel components, toys etc. As of 30 June 2013, Ipsos has prepared reports for inclusion in prospectus of successful listing applicants in Hong Kong for about 17 projects, including Far East Global Group Limited (a company listed on the Main Board of the Stock Exchange (stock code: 0830)), Yuanda China Holdings Limited (a company listed on the Main Board of the Stock Exchange (stock code: 2789)) and Sundart International Holdings Limited (a company listed on the Main Board of the Stock Exchange (stock code: 2288)), with more research projects for companies undergoing the listing applications in Hong Kong.

The information contained in the Ipsos Report is derived by means of data and intelligence gathering which include: (i) desktop research; (ii) client consultation; and (iii) primary research by interviewing competitors such as steel structure construction service providers, associations and experts, construction contractors, property developers and quality surveyors. According to Ipsos, this methodology guaranteed a full circle/multi-level information sourcing process, where information gathered was able to be cross-referenced to ensure accuracy. The intelligence gathered by Ipsos was analysed, assessed and validated using their in-house analysis models and techniques.

Analyses, projections and data relating to future periods in the Ipsos Report are based on the following general bases and assumptions:

- The supply of materials for steel structure and prefabricated construction are assumed to be stable and without shortage over the forecast period in China and global market.

- It is assumed there is no external shock such as natural disasters or the wide outbreak of diseases to affect the demand for and supply of steel structure and the steel for prefabricated construction in China and global market.

- It is assumed there will be excessive capacity of steel structure by manufacturing enterprises in China and Jiangsu Province over the forecast period.

The following parameters were considered in the market sizing model in the preparation of the Ipsos Report:

- total production value and volume of steel structure in China;
- total production value and volume of steel structure in Jiangsu Province;
- crude steel production volume in China;
- development plan of social security housing in China during the twelfth five-year period;
- development plan of social security housing in Jiangsu Province during the twelfth five-year period;
- export value and volume of steel structure in China;
- total production value and volume of prefabricated construction industry in China; and
- total production value and volume of prefabricated construction industry in Jiangsu Province.

Ipsos, on behalf of itself, its subsidiaries and units, confirms that the Ipsos Report was prepared in its ordinary course of business.

STEEL STRUCTURE

Steel structure is one of many types of construction structure which uses steel and concrete as raw materials. Comparing to other types of construction structure such as reinforced concrete structure, steel structure is of higher strength-to-weight ratio and durability, lighter in terms of weight, more flexible in design, higher shock resistance, shorter construction lead time, less polluted and recyclable. These features of steel structure make it a more favourable material in construction. Steel structure has wide applications in bridges, factories, residential and commercial buildings, railways and other public infrastructures including terminals and stadiums.

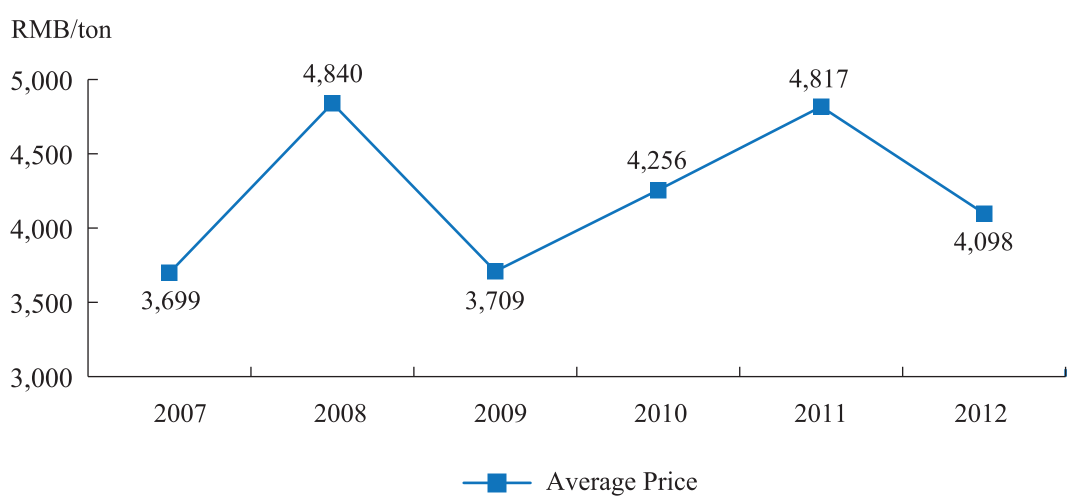
According to 促進產業結構調整暫行規定 (the Decision of the State Council on Promulgating the Interim Provisions on Promoting Industrial Structure Adjustment for Implementation) effective from 2 December 2005, China will actively develop and promote the use of resource conserving, substitutive and recycling technologies and products, and will place particular focus on supporting the transformation of energy conserving and consumption reducing technologies in industries such as construction, building materials, etc., and the development of energy conserving and land saving buildings is encouraged.

The State Development and Reform Commission jointly with the relevant administrative departments of the State Council promulgated the "Guiding Catalogue for Industry Restructuring" which is the important basis for guiding investment directions and for the governments to administer investment projects, to formulate and implement policies on public finance, taxation, credit, land, import and export, etc. The "Guiding Catalogue for Industry Restructuring" is composed of three categories of industries, namely, the encouraged category, the restricted category and the eliminated category. According to 產業結構調整指導目錄(二零一一年本) (the Guiding Catalogue for Industry Restructuring (2011 Edition)) promulgated by the State Development and Reform Commission on 27 March 2011, steel structure residential integrated systems and research, development and promotion of related technologies are listed under the encouraged category.

The key raw materials for production of steel structure are steel and concrete. Steel typically accounts for about 60% to 70% of the operational cost of enterprises in the steel structure construction industry in China, while concrete accounts for about 5% to 8%.

According to the Ministry of Commerce of the PRC, the average price of steel (high-speed wire-rod with a diameter of ф6.5 millimetres that is commonly used in the industry) in the PRC during the relevant period increased from approximately RMB3,699 per ton in 2007 to RMB4,098 per ton in 2012, representing a CAGR of approximately 2.1%; and it subsequently decreased to approximately RMB3,628 per ton in September 2013.

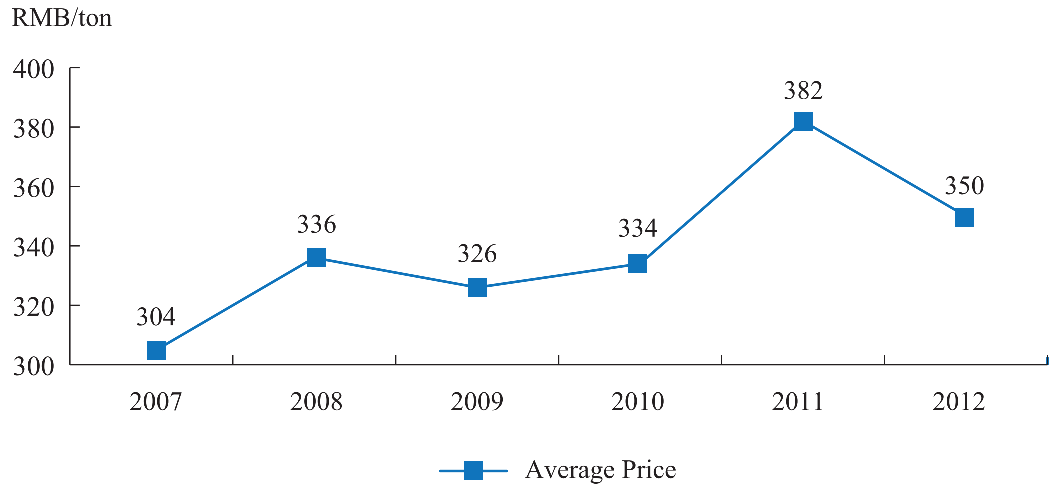
Average price of steel (high-speed wire-rod with a diameter of ф6.5 millimetres) in the PRC during the relevant period from 2007 to 2012



Source: Ministry of Commerce of the PRC

According to the Ministry of Commerce of the PRC, the average price of concrete (ordinary Portland cement with strength rating of 42.5 that is commonly used in the industry) in the PRC during the relevant period increased from approximately RMB304 per ton in 2007 to RMB350 per ton in 2012, representing a CAGR of approximately 2.9%. Rapid growth in real estate and other fixed asset investment in the PRC have driven the increase in demand for concrete in recent years.

Average price of concrete (ordinary Portland cement with strength rating of 42.5) in the PRC during the relevant period from 2007 to 2012



Source: Ministry of Commerce of the PRC

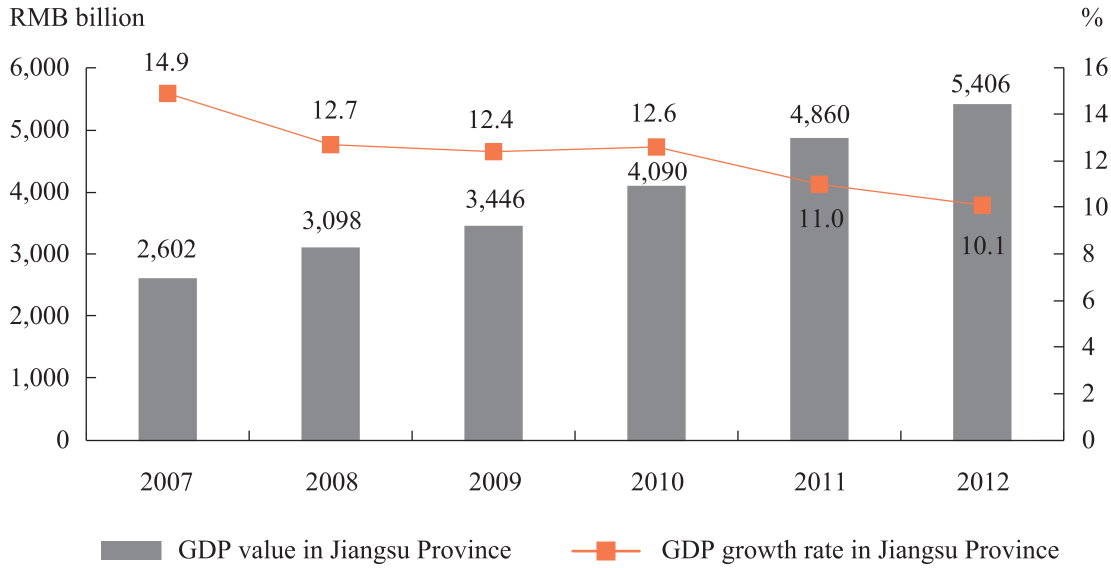
ECONOMIC ENVIRONMENT

According to the Ipsos Report, in 2012, structural steel construction accounted for approximately 30% to 50% of the total construction value in developed countries such as the US and Japan, whereas it was only approximately 2.2% in the PRC. Nevertheless, the enhancement of urban functions, shortage of land and increase in popularity of residential and commercial high rise buildings are expected to continue to drive growth and development of the steel structure construction industry in the PRC. The structural steel construction industry in the PRC is expected to reach a CAGR of approximately 17.3% from 2013 to 2016 in terms of consumption volume of steel structure.

Economy

According to National Bureau of Statistics of China, GDP in the PRC increased from approximately RMB26,581 billion in 2007 to approximately RMB51,932 billion in 2012, representing a CAGR of over 14.3%, reflecting a rapid growth. The growth of GDP in the PRC dropped in 2008 and 2009 due to the global economic crisis, and in 2011 and 2012 due to the tightening of monetary policy and stagnant foreign demand. According to National Bureau of Statistics of China, GDP in Jiangsu Province, the PRC increased from approximately RMB2,602 billion in 2007 to approximately RMB5,406 billion in 2012, representing a CAGR of approximately 15.8%.

GDP in Jiangsu Province from 2007 to 2012

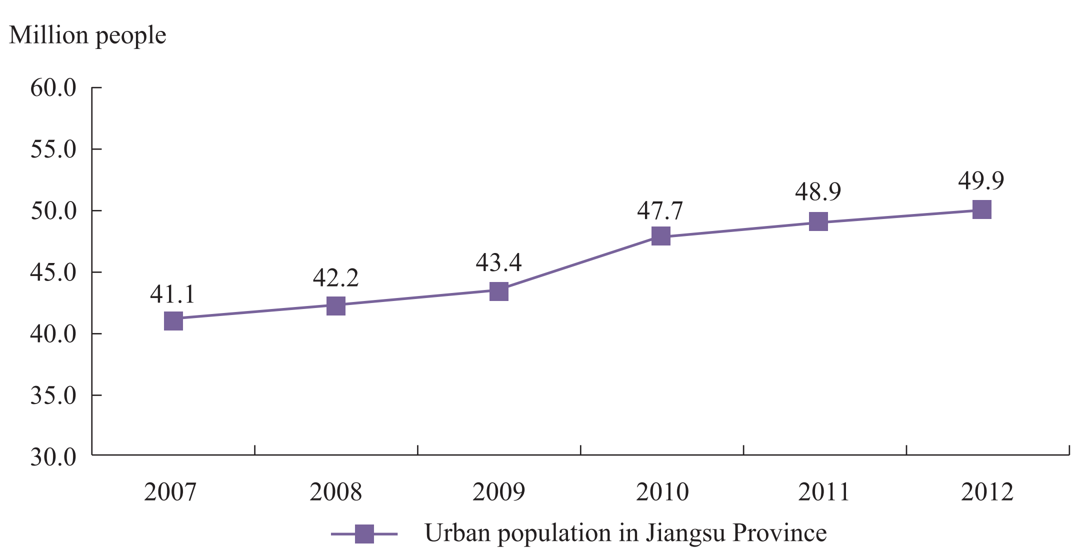


Source: National Bureau of Statistics of China

Urban population

According to National Bureau of Statistics of China and the Ipsos Report, the urban population in the PRC increased from approximately 606.3 million in 2007 to approximately 711.8 million in 2012, representing a CAGR of approximately 3.3%. According to National Bureau of Statistics of China, the urban population in Jiangsu Province, the PRC increased from approximately 41.1 million in 2007 to approximately 49.9 million in 2012, representing a CAGR of approximately 4.0%.

Jiangsu Province urban population from 2007 to 2012

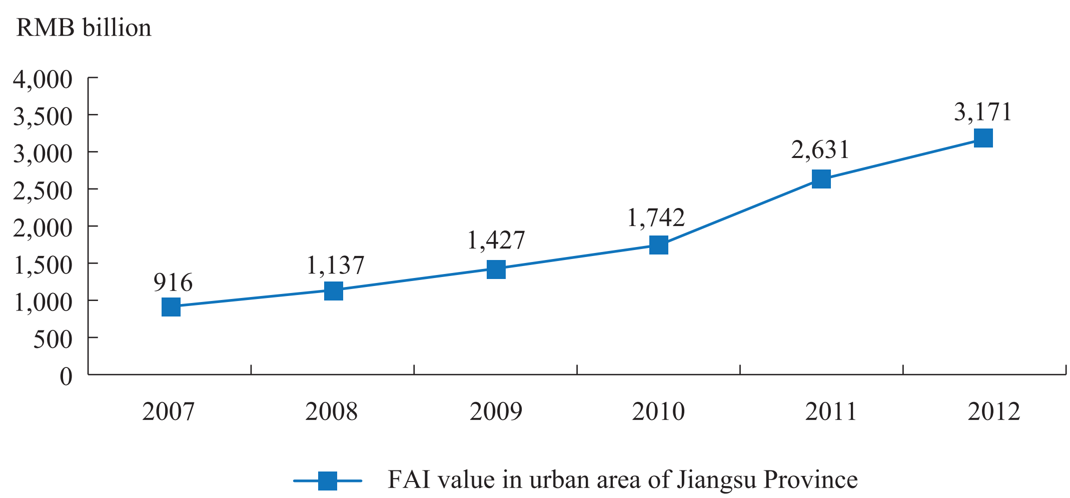


Source: National Bureau of Statistics of China and Ipsos Report

Fixed Assets Investment

According to National Bureau of Statistics of China, the fixed assets investment value in urban area of the PRC increased from approximately RMB11,746 billion in 2007 to approximately RMB36,484 billion in 2012, representing a CAGR of approximately 25.4%. According to National Bureau of Statistics of China, the fixed assets investment value in urban area of Jiangsu Province increased from approximately RMB916 billion in 2007 to approximately RMB3,171 billion in 2012, representing a CAGR of approximately 28.2%.

Fixed assets investment (FAI) value in urban area of Jiangsu Province from 2007 to 2012



Source: National Bureau of Statistics of China and Ipsos Report

The production volume and consumption volume of steel structure construction industry vary across different parts of the PRC. Jiangsu Province is one of the top three provinces in the PRC in terms of production volume and consumption volume of steel structure construction industry in 2011. Jiangsu Province shared about 14.1% and 11.8% respectively of the total production volume and consumption volume of steel structure construction industry in the PRC in 2012.

Set out below are the production volume and consumption volume of steel structure construction industry of the top five provinces/region in the PRC in 2011:

Rank	Province/ Region	Production volume in 2011 *(million tons)*	Percentage of total production volume in structural steel construction industry in the PRC in 2011 *(%)*	Consumption volume in 2011 *(million tons)*	Percentage of total consumption volume in steel structure construction industry in the PRC in 2011 *(%)*
1	Zhejiang	3.1	15.3	2.2	11.9
2	Jiangsu	2.9	14.3	2.2	11.9
3	Shanghai	2.4	11.8	1.9	10.5
4	Anhui	1.7	8.4	1.1	6.1
5	Shandong	1.4	6.9	1.2	6.5

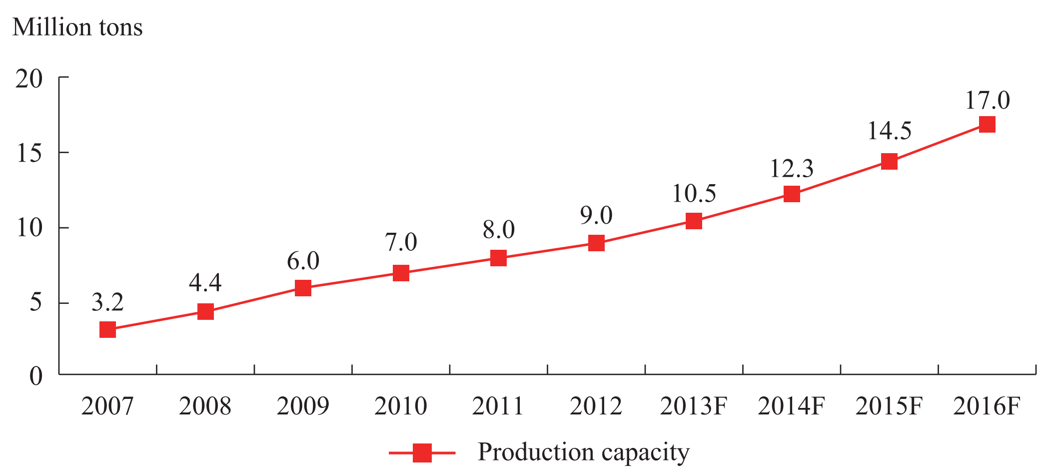
Source: Ipsos Report

According to the Ipsos Report, enterprises in steel structure construction industry in Eastern China especially Shanghai, Zhejiang Province and Jiangsu Province have the most advanced technology among other enterprises located in other regions of China. Jiangsu Province ranked the second in the PRC in terms of fixed asset investment, which has generated huge demand for structural steel construction in the region. In recent years, many state-owned enterprises began to be aware of the potential in the steel structure construction industry in Jiangsu Province and moved their construction base to such region which boosted the development and transformation of the structural steel construction industry in Jiangsu Province. In addition, as a coastal province in the PRC, Jiangsu Province also possesses strong capability in traditional shipbuilding and heavy machinery manufacturing technology from its long-term commitment in foreign business. Jiangsu Province has accumulated quality standards and management concepts from advanced industrial countries around the world which set solid foundation for the rapid development of the steel structure construction industry in recent years.

Total production capacity of steel structure construction industry

According to the Ipsos Report, from 2007 to 2012, the total production capacity of steel structure construction industry in the PRC increased from approximately 21.2 million tons in 2007 to approximately 48.4 million tons in 2012, representing a CAGR of approximately 18.0%. With the increase in demand for steel structure, the total production capacity of steel structure construction industry in the PRC is expected to grow significantly from approximately 57.8 million tons in 2013 to approximately 95.3 million tons in 2016, representing a CAGR of approximately 18.1%. According to the Ipsos Report, from 2007 to 2012, the total production capacity of steel structure construction industry in Jiangsu Province increased from approximately 3.2 million tons in 2007 to approximately 9.0 million tons in 2012, representing a CAGR of approximately 23.0%. It is expected that the expansion in production capacity will continue to grow but at a slower rate from approximately 10.5 million tons in 2013 to approximately 17.0 million in 2016, representing a CAGR of approximately 17.4%. Future focus in the industry will be on offering more heavy steel structure products and high value products.

Total production capacity of steel structure construction industry in Jiangsu Province from 2007 to 2016

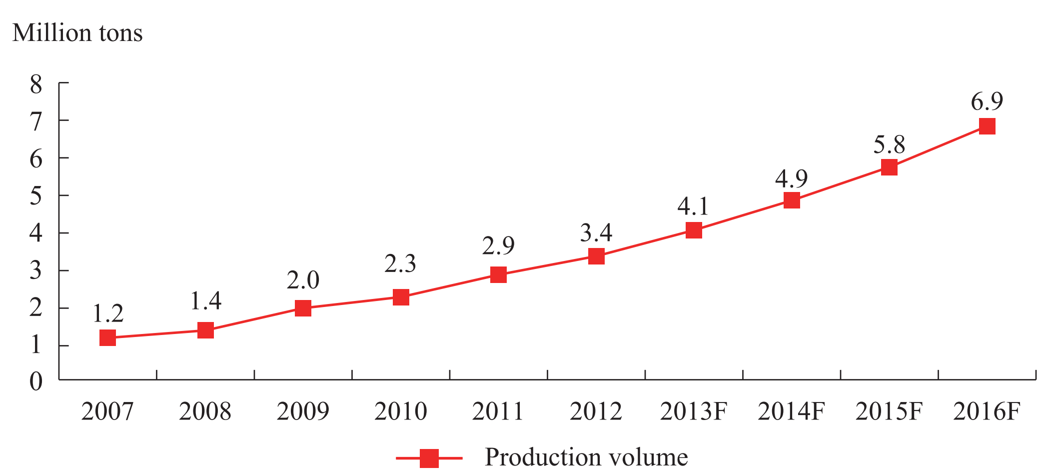


Source: Ipsos Report

Total production volume of steel structure construction industry

According to the Ipsos Report, from 2007 to 2012, the total production volume of steel structure construction industry in the PRC increased from approximately 12.7 million tons in 2007 to approximately 24.2 million tons in 2012, representing a CAGR of approximately 13.8%. With the increase in investment in infrastructure construction coupled with continuing encouragement by the PRC government in the twelfth five-year period in high-rise residential buildings and infrastructure development projects including stadiums, train stations, roads, railways and bridges, the total production volume of steel structure construction industry in the PRC is expected to grow significantly from approximately 28.9 million tons in 2013 to approximately 47.7 million tons in 2016, representing a CAGR of approximately 18.2%. According to the Ipsos Report, from 2007 to 2012, the total production volume of steel structure construction industry in Jiangsu Province increased from approximately 1.2 million tons in 2007 to approximately 3.4 million tons in 2012, representing a CAGR of approximately 23.2%. With the encouragement of the provincial government in the development of environmental friendly construction, it is expected that the total production volume of steel structure construction industry in Jiangsu Province will increase from approximately 4.1 million tons in 2013 to approximately 6.9 million tons in 2016, representing a CAGR of approximately 19.0%.

Total production volume of steel structure construction industry in Jiangsu Province from 2007 to 2016

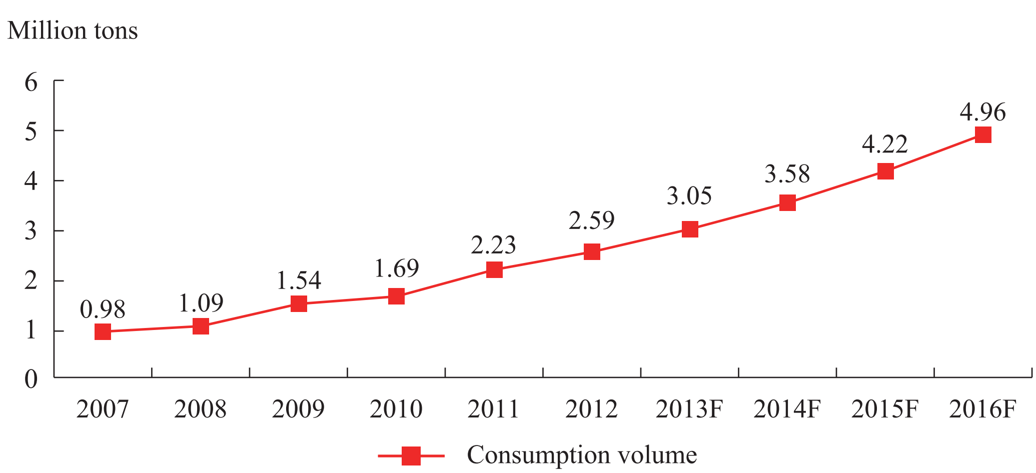


Source: Ipsos Report

Total consumption volume of steel structure construction industry

According to the Ipsos Report, from 2007 to 2012, the total consumption volume of steel structure construction industry in the PRC increased from approximately 11.6 million tons in 2007 to approximately 22.0 million tons in 2012, representing a CAGR of approximately 13.7%. The continuous urbanisation and economic development of the PRC will continue to boost the demand for steel structure, the total consumption volume of steel structure construction industry in the PRC is expected to grow significantly from approximately 25.7 million tons in 2013 to approximately 41.5 million tons in 2016, representing a CAGR of approximately 17.3%. The growth rate of total consumption volume of steel structure is in line with the growth rate of total production volume in the past five years and the trend is expected to continue according to the Ipsos Report. According to the Ipsos Report, from 2007 to 2012, the total consumption volume of steel structure construction industry in Jiangsu Province increased from approximately 0.98 million tons in 2007 to approximately 2.59 million tons in 2012, representing a CAGR of approximately 21.5%. The continuous urbanisation and economic development of Jiangsu Province will continue to boost the demand for steel structure, it is expected that the total consumption volume of steel structure construction industry in Jiangsu Province to grow significantly from approximately 3.05 million tons in 2013 to approximately 4.96 million tons in 2016, representing a CAGR of approximately 17.6%.

Total consumption volume of steel structure construction industry in Jiangsu Province from 2007 to 2016



Sources: Ipsos Report

PREFABRICATED CONSTRUCTION INDUSTRY

Prefabricated construction is the construction of buildings where the majority of structural components, such as columns, beams, trusses, wall panels and floor panels, etc., are standardised and produced in a factory and delivered to the work site for assembly.

Prefabricated construction has a wide range of applications including residential housing, commercial buildings, industrial buildings, such as office buildings, warehouses, factories and shopping malls, and public facilities such as schools and hospitals etc., and is commonly used in the construction of social security housing (城鎮保障性安居) in the PRC because such construction method can accommodate the design simplicity and limited variation for social security housing. Prefabricated construction can also guarantee the quality of social security housing by ensuring quality and procedure in the manufacturing process of units in factory. The components are manufactured on mass production in order to build a large number of buildings in a short period of time.

Prefabricated construction is preferred over traditional concrete construction for the following reasons as its construction components:

- shorten construction lead time by reducing the amount of onsite construction work;
- can be industrialised and standardised during production;
- have high flexibility and convenience in assembling and disassembling;
- can be innovative structures with high durability and wall insulation;
- reduce construction consumption through recycling resources and improving resources utilisation;
- enhance overall quality of products and resistance to natural disasters (such as earthquakes, typhoons, floods, snow and fire, etc.);
- reduce the occurrence of accidents at work site;
- minimise construction waste and create an environmental friendly and civilised construction environment;
- improve production efficiency.

Although the cost of prefabricated construction is higher than traditional construction, mass production of prefabricated products can raise the turnover of precast components which in turn reduces overall construction costs and the promulgation of design standards for the prefabricated construction industry will invite more design units to enter the market and lower the costs in complete sets of design and equipment.

Government policies and regulations have driven the growth in residential steel structure, including prefabricated construction development for the past 10 years, including 預製裝配整體式鋼筋混凝土結構技術規範 (Technical Specifications of Prefabricated Reinforced Concrete Structure (SJG 18-2009)), which was promulgated in Shenzhen in 2009 establishing requirements in the design, construction and inspection for prefabricated construction, the 鋼

結構住宅建築產業化技術導則 (Steel Residential Construction Industry Guidelines), which was issued by the Ministry of Housing in 2010, 鋼結構住宅設計規程 (the Design Procedures for Residential Steel Structure), 低層冷彎薄壁型鋼房屋建築技術規程 (Technical Specifications for Low-level Cold-formed Steel Building Construction) and 輕型鋼結構住宅技術規程 (Technical Specifications for Light Steel Structure for Residential Housing) published by the Ministry of Housing. These guidelines and regulations have greatly accelerated the development of prefabricated construction industry.

In 2011, 國家發展和改革委員會 (National Development and Reform Commission) stated that during the twelfth five-year period, about 36 million units of social security housing (城鎮保障性安居) is expected to be built, at an annual production volume of 10 million units in 2011 and 2012 respectively, and 16 million units in the following years. By 2016, 30% of the total number of social security housing in the PRC is estimated to be constructed with prefabricated construction method.

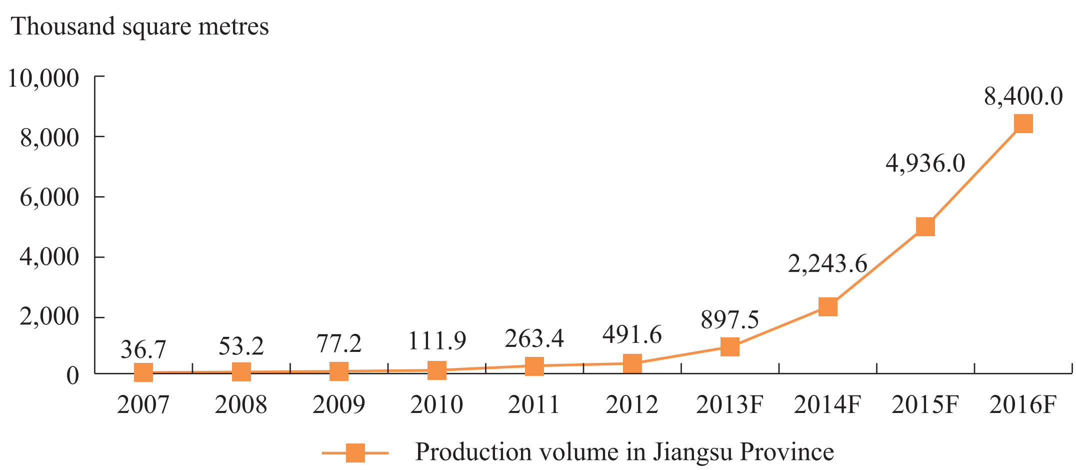
It is expected that the development of social security housing will encourage prefabricated construction industry in both Jiangsu Province and the PRC as a whole.

Prefabricated construction requires a unique combination of skills in research and development, design, manufacturing, fabrication and construction of the final dwelling. Regardless of the above policies and regulations, the development of prefabricated construction in the PRC is still slowly developing and falls behind the development in the developed countries.

Total production volume of prefabricated construction industry

According to the Ipsos Report, from 2007 to 2012, the total production volume of prefabricated construction industry in the PRC increased from approximately 1.10 million sq.m. in 2007 to approximately 10.43 million sq.m. in 2012, representing a CAGR of approximately 57.0%. Future development of such industry in the PRC is significant as the development of the prefabricated construction industry is still at its initial stage compared to that of other developed countries such as the United States of America, Japan and countries in Europe. With the encouragement of the PRC government in the development of the industry, it is expected that the total production volume of prefabricated construction industry in the PRC will accelerate at a CAGR of approximately 80.3% from approximately 21.90 million sq.m. in 2013 to approximately 128.31 million sq.m. in 2016. According to the Ipsos Report, from 2007 to 2012, the total production volume of prefabricated construction industry in Jiangsu Province increased from approximately 36,700 sq.m. in 2007 to approximately 491,600 sq.m. in 2012, representing a CAGR of approximately 68.0%. It is expected that the total production volume of prefabricated construction industry in Jiangsu Province will accelerate at a CAGR of approximately 110.7% from approximately 897,500 sq.m. in 2013 to approximately 8.4 million sq.m. in 2016. According to the government policy of 關於進一步加強住房保障體系建設實施意見 (Opinions on the Implementation of Social Security Housing), from 2011 to 2015 the government of Jiangsu Province planned to construct 1.4 million units of social security housing among which approximately 0.6 million units have been completed by the end of 2012 and approximately 0.8 million units are expected to be completed by the end of 2015. Through the implementation of such policy, the number of social security housing units to be built in Jiangsu Province is expected to rise during such period. Further, under government encouragement, the share of prefabricated construction method in social security housing construction is also expected to increase rapidly from 2013 to 2016. The increase in the number of social security housing units in the PRC, together with the rise in the share of prefabricated construction method applied in social security housing construction in the PRC, is expected to result in an increase in the production volume of prefabricated construction industry in the PRC. The production volume of prefabricated construction industry in Jiangsu Province is expected to grow faster than that of the PRC as a whole as the development of prefabricated construction industry in Jiangsu Province is more advanced than other cities in the PRC.

Total production volume of prefabricated construction industry in Jiangsu Province, the PRC from 2007 to 2016



Sources: Ipsos Report

Note: According to the Ipsos Report, the total production volume of prefabricated construction industry in Jiangsu Province is expected to increase from approximately 897,500 sq.m. in 2013 to approximately 8,400,000 sq.m. in 2016, taking into account the following factors:

1. According to the government policy of 關於進一步加強住房保障體系建設實施意見 (Opinions on the Implementation of Social Security Housing), about 1.4 million units of social security housing is expected to be built in Jiangsu Province from 2011 to 2015. By the end of 2012, about 0.6 million units (out of about 1.4 million units) have been built, the remaining about 0.8 million units are expected to be built from 2013 and completed by the end of 2015;

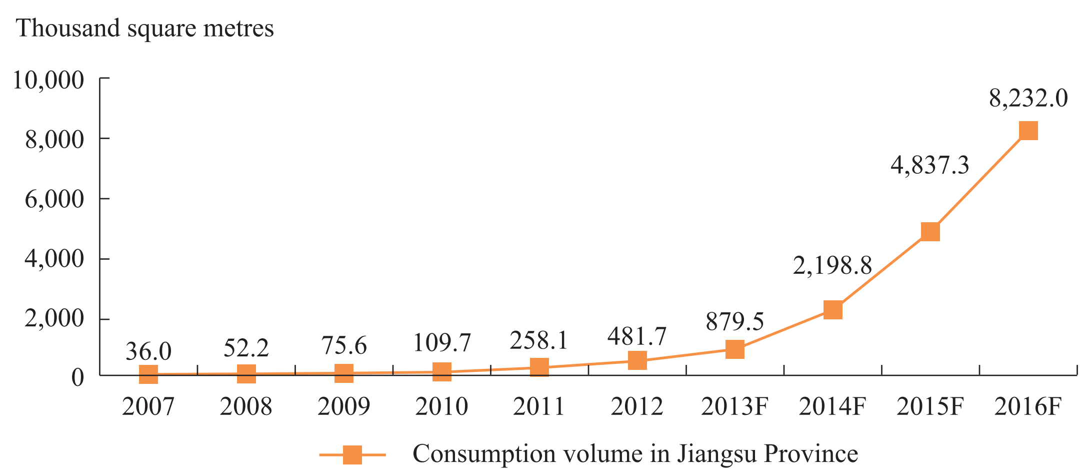
2. The share of prefabricated construction method in social security housing construction was about 1.0% to 6.3% from 2011 to 2012. Under government encouragement, from 2013 to 2015, such share is expected to increase from about 7.5% to 26.9%, driving the production volume of prefabricated construction to increase rapidly as well from 2011 to 2016; and

3. Based on the Jiangsu Provincial government's long-term objective of 住宅產業化 (housing industrialisation) to achieve housing industrialisation rate (with the adoption of prefabricated construction) of about 30% to 50% by 2020, it is estimated that about 35% of the about 0.4 million units of the social security housing in Jiangsu Province will adopt the prefabricated construction method by 2016. As advised by Ipsos, the average size of each social security housing unit in the PRC is about 60 sq.m..

Total consumption volume of prefabricated construction industry

According to the Ipsos Report, from 2007 to 2012, the total consumption volume of prefabricated construction industry in the PRC increased from approximately 1.07 million sq.m. to approximately 10.22 million sq.m., representing a CAGR of 57.0%. With the demand driven by social security housing, it is expected that the total consumption volume of prefabricated construction industry will accelerate in the PRC at a CAGR of approximately 80.3% from approximately 21.46 million sq.m. in 2013 to approximately 125.75 million sq.m. in 2016. According to the Ipsos Report, from 2007 to 2012, the total consumption volume of prefabricated construction industry in Jiangsu Province increased from approximately 36,000 sq.m. to approximately 481,700 sq.m., representing a CAGR of approximately 68.0%. With the demand driven by social security housing, it is expected that the total consumption volume of prefabricated construction industry in Jiangsu Province will accelerate at a CAGR of approximately 110.7% from approximately 879,500 sq.m. in 2013 to approximately 8.23 million sq.m. in 2016.

Total consumption volume of prefabricated construction industry in Jiangsu Province from 2007 to 2016



Sources: Ipsos Report

COMPETITION LANDSCAPE

Licence is required for an enterprise to enter into the steel structure construction industry. The related assessment for the licence would be based on, among others, an enterprise's past performance, financial status, quality of technology personnel and production capacity.

There were about 10,300 enterprises of different scale of operation in the structural steel construction industry in the PRC in 2012. These enterprises can be classified into two main types, namely steel structure manufacturing enterprises and steel structure contracting enterprises. Steel structure manufacturing enterprises focus more on the manufacturing of steel structures, though they do provide contracting services sometimes. Steel structure contracting enterprises focus more on the provision of contracting steel structure services. However, they do produce steel structures for their own contracting services. Saite Steel (Jiangsu) is one of the steel structure contracting enterprises and also produce steel structures for its own contracting services.

In 2012, more than 1,000 steel structure contracting enterprises possess the qualification of Grade One Steel Structure Engineering Professional Contractor in China. Steel Structure Engineering Professional Contractor is awarded by the Ministry of Housing and can be divided into three grades: Grade One, Grade Two and Grade Three. Grade One Steel Structure Engineering Professional Contractor is the highest qualification in the structural steel construction industry in China and is widely acknowledged by the industry players in China. Holders of such qualification are qualified to undertake all kinds of steel structure projects. In 2012, about 70 enterprises possess Grade One Steel Structure Engineering Professional Contractor in Jiangsu Province. Saite Steel (Jiangsu) obtained the qualification of Grade OneSteel Structure Engineering Professional Contractor in November 2005. The requirements for Grade One, Grade Two and Grade Three Steel Structure Engineering Professional Contractor are set out below:

	Grade One	**Grade Two**	**Grade Three**
Experience	Enterprise should provide at least two steel structure contracting services stated below, with acceptable quality within the past five years:	Enterprise should provide at least two steel structure contracting services stated below, with acceptable quality within the past five years:	Enterprise should provide at least two steel structure contracting services stated below, with acceptable quality within the past five years:
	• Steel structure of at least 30 metres in span;	• Steel structure of at least 20 metres in span;	• Steel structure of at least 10 metres in span;
	• Steel structure weighs at least 1,000 tons;	• Steel structure weighs at least 500 tons;	• Steel structure weighs at least 100 tons;
	• Steel structure with gross floor area of at least 20,000 sq.m.;	• Steel structure with gross floor area of at least 5,000 sq.m.;	• Steel structure with gross floor area of at least 1,000 sq.m.;
	• Space system with side length of at least 70 metres;	• Space system with side length of at least 20 metres;	• Space system with side length of at least 10 metres;
	• Space structure weighs at least 300 tons;	• Space structure weighs at least 100 tons;	• Space structure weighs at least 5 tons;
	• Space structure with gross floor area of at least 5,000 sq.m..	• Space structure with gross floor area of at least 1,000 sq.m..	• Space structure with gross floor area of at least 200 sq.m..

	Grade One	Grade Two	Grade Three
Professionals	• Enterprise manager, engaging in engineering management for at least 10 years, or with a senior professional title; • Chief engineer, engaging in engineering management in steel structure and space system for at least 10 years, and with a relevant senior professional title; • Chief accountant with a professional title of Senior Accountant; • Enterprise consists of at least 50 employees, with professional titles of engineering management and economic management. At least 40 of them should be in engineering, with at least 20 employees, out of these 40, attain intermediate professional titles or above; • Enterprise consists of at least six project managers with Grade One qualification.	• Enterprise manager, engaging in engineering management for at least five years; • Chief technician, engaging in engineering management in steel structure and space system for at least five years, and with a relevant intermediate professional title or above; • Chief financial officer with a intermediate professional title of accountant or above; • Enterprise consists of at least 30 employees, with professional titles of engineering management and economic management. At least 20 of them should be in engineering, with at least six employees, out of these 20, attain intermediate professional titles or above; • Enterprise consists of at least three project managers with Grade Two qualification.	• Enterprise manager, engaging in engineering management for at least three years; • Chief technician, engaging in engineering management in steel structure and space system for at least three years, and with a relevant intermediate professional title or above; • Chief financial officer with a junior professional title of accountant or above; • Enterprise consists of at least 15 employees, with professional titles of engineering management and economic management. At least 12 of them should be in engineering, with at least three employees, out of these 12, attain intermediate professional titles or above titles; • Enterprise consists of at least three project managers with Grade Three qualification.
Capital	• Enterprise has registered capital of at least RMB15 million, and net assets of at least RMB18 million.	• Enterprise has registered capital of at least RMB8 million, and net assets of at least RMB10 million.	• Enterprise has registered capital of at least RMB3 million, and net assets of at least RMB3.6 million.
Revenue of project settlement	• Enterprise has a minimum annual revenue of project settlement of at least RMB30 million within the past three years.	• Enterprise has a minimum annual revenue of project settlement of at least RMB15 million within the past three years.	• Enterprise has a minimum annual revenue of project settlement of at least RMB5 million within the past three years.
Equipment	• Enterprise contains construction machinery and quality testing equipment which suit the scope of its contracting projects.		
Applications	• No restriction on contract value for all types of steel works (including production and installation of the truss, light steel structure engineering).	• Contract value no more than 5 times the registered capital of the company. • Steel structure construction with span of 33 metres or below; total weight of 1,200 tons or below and construction area of 24,000 sq.m. and below. • Steel structure manufacturing and installation with side lengths of 80 metres or below, total weight of 350 tons or below and construction area of 6,000 sq.m. and below.	• Contract value no more than 5 times the registered capital of the company. • Steel structure construction with span of 24 metres or below; total weight of 600 tons or below and construction area of 6,000 sq.m. and below. • Steel structure manufacturing and installation with side lengths of 24 meters or below, total weight of 120 tons or below and construction area of 1,200 sq.m. and below.

Design qualifications for constructions such as the Construction Design Qualification are complimentary but not mandatory in steel structure construction as property owners can often assign design work to independent design firms. In Jiangsu Province, the number of enterprises with Construction Design Qualification is limited. The Construction Design Qualification awarded by Jiangsu Department of Housing can be divided into two classes: Class A and Class B. By 2010, there were only about 47 enterprises of which 15 possess Class A Construction Design Qualification and 32 possess Class B Construction Design Qualification in Jiangsu Province. Saite Steel (Jiangsu) obtained the qualification of Class B Construction Design Qualification in January 2010. The requirements for Class A and Class B Construction Design Qualification are set out below:

	Class A	**Class B**
Experience	Enterprise should finish at least three Grade One light steel structures construction design stated below, with acceptable quality within the past two years: • Steel structure of at least 36 metres in span; • Steel structure with gross floor area of at least 15,000 sq.m.; • Space system with side length of at least 60 metres; • Space structure with gross floor area of at least 15,000 sq.m..	Enterprise should finish at least three Grade One or Grade Two light steel structures construction design stated below, with acceptable quality within the past two years: • Steel structure of less than 36 metres in span; • Steel structure with gross floor area of less than 15,000 sq.m.; • Space system with side length of less than 60 metres; • Space structure with gross floor area of less than 15,000 sq.m..
Professionals	• Chief engineer, engaging in engineering management in steel structure and space system for at least five years, responsible for at least three Grade One light steel structure construction design projects with the qualification of Grade One Contractor; • Senior designer, responsible for at least two Grade One light steel structure construction design projects, and with a senior professional title; • Enterprise consists of at least eight employees, with professional titles of structural construction, architecture and welding. At least six of them should be in structural construction, at least one of them should be in architecture, and at least one of them should be in welding; with at least three employees, out of these eight, should be senior designer in structural construction and architecture; • Enterprise consists of at least two engineers with the qualification of Grade One Contractor.	• Chief engineer, engaging in engineering management in steel structure and space system for at least three years, responsible for at least three Grade One or Grade Two light steel structure construction design projects with the qualification of Grade One Contractor; • Senior Designer, responsible for at least one Grade One or Grade Two light steel structure construction design projects, and with a senior professional title; • Enterprise consists of at least five employees, with professional titles of structural construction and architecture. At least four of them should be in structural construction, at least two of them should be in architecture; • Enterprise consists of at least 1 engineer with the qualification of Grade One Contractor.
Capital	• Enterprise has registered capital of at least RMB15 million.	• Enterprise has registered capital of at least RMB8 million.

	Class A	Class B
Equipment	• Two steel structure design software with approval from bureau level or above, with one software meet international standard. • At least six computers	• Two steel structure design software with approval from bureau level or above. • At least four computers
Applications	• No restriction on the type and scale of light steel structure projects. • When steel structure is the main construction structure, its design includes the basic engineering design of the steel structure.	• Can undertake the design of Grade Two light steel structure, cable-membrane structure and pressure arch plate engineering. • When steel structure is the main construction structure of a building, its design is only limited to low-rise housing with natural foundation.

According to the Ipsos Report, the steel structure industry in the PRC is fragmented. The top five providers in the PRC accounted for less than 10% of the total market share in terms of revenue in the PRC in 2012, while the top five providers in Jiangsu Province accounted for approximately 15% of the total market share in terms of revenue in the province in 2012. According to the Ipsos Report, Saite Steel (Jiangsu) had a market share of approximately 1.9% in Jiangsu Province in terms of revenue from the steel structure construction business in 2012 (based on information from the annual report of the relevant companies and the interviews and analyses conducted by Ipsos) and was ranked as one of the largest contractors of steel structure projects in Jiangsu Province.

Information related to the leading contractors of steel structure projects in Jiangsu Province in 2012 by revenue is set out below:

Rank	**Name of the company**	**Share of total market revenue %**
1	江蘇滬寧鋼機有限公司 (Jiangsu Huning Steel Mechanism Co., Ltd.*)	7.0
2	徐州東大鋼結構建築有限公司 (Xuzhou Dongda Steel Construction Co., Ltd.*)	2.6
3	Saite Steel (Jiangsu)	1.9
4	江蘇中泰橋樑鋼構股份有限公司 (Jiangsu Zhongtai Bridge Steel Structure Co., Ltd*)	1.8
5	江蘇慶泰鋼結構有限公司 (Jiangsu Qingtai Steel Structure Co., Ltd.*)	1.1

Source: Ipsos Report

The competition in prefabricated construction industry in the PRC is not fierce, as it is still at its early stage of development in the PRC. According to the Ipsos Report, there were approximately 100 and only 4 enterprises in the prefabricated construction industry in the PRC and Jiangsu Province in 2012, respectively. According to the Ipsos Report, our Group had a market share of approximately 29.9% in Jiangsu Province in terms of revenue from the prefabricated construction business in 2012.

Information related to the leading prefabricated construction providers in Jiangsu Province in 2012 by revenue is set out below (according to the Ipsos Report, the revenue figures were compiled based on the total completed volume of prefabricated construction of each of the relevant companies in 2012):

Rank	**Name of the company**	**Share of total market revenue %**
1	Nanjing Dadipurui Prefabricated Housing Co., Ltd (南京大地普瑞預製房屋有限公司*)	37.1
2	Saite Steel (Jiangsu)	29.9
3	Nantong City Hong Man Precast Co., Ltd. (南通市康民全預製構件有限公司*)	17.8
4	Jiangsu Yuanda Construction Technology Co., Ltd. (江蘇元大建築科技有限公司*)	15.2

MARKET OUTLOOK

In 2011, the Ministry of Housing officially released the Twelfth Five-Year Plan (2011-2015) for Construction Industry. The plan proposed to increase total construction production and added-value of construction by over 15% annually, and increase support for large-sized construction enterprises to increase their competitive edge.

In particular, the Twelfth Five-Year Plan for the Development of Steel Structure Construction Industry states that future development in the industry would emphasise on energy-saving, enhancing the design of steel structure construction for modern residential housing and advancing the technology involved in steel structure construction industry. Given that steel structure and prefabricated construction materials possess the advantages of higher strength-to-weight ratio and durability, lighter in term of weight, more flexible in design, higher shock resistance, shorter construction lead time, less polluted and recyclable, steel structure and prefabricated construction materials become the preferred materials for construction. According to the "Twelfth Five-Year Plan for the Development of Steel Structure Construction Industry", steel structure consumption is targeted to reach about 10% of the total steel production in 2015 compared to about 4.5% in 2011.

Besides, rapid urbanisation in the PRC will continue to drive the growth of steel structure and prefabricated construction industry. Pursuant to the Twelve Five-Year Plan, the PRC government planned to increase its investment in transport infrastructure such as railway network of about RMB6.2 trillion, and build about 36 million units of social security housing.

Our operations are mainly carried out in the PRC, which are subject to PRC laws, rules and regulations. A summary of the laws, rules and regulations applicable to our business is set out below.

REGULATIONS RELATING TO OUR INDUSTRY

Qualifications for operations

Under the provisions of the Construction Law of the PRC (中華人民共和國建築法), which was initially promulgated on 1 November 1997, took effect on 1 March 1998 and amended on 22 April 2011, an enterprise engaging in construction, reconnaissance, design and supervision activities for construction works may only contract for those construction works that fill within the permitted scope of its aptitude class.

According to the Administrative Provisions on the Qualifications of Enterprises in the Construction Industry (建築業企業資質管理規定) which is promulgated by the Ministry of Housing on 26 June 2007 and effective from 1 September 2007, the qualifications of enterprises in construction industry is classified into three categories, namely, main contractors that are qualified in undertaking the whole of a construction project, professional services contractors that are qualified in undertaking a specialised contract and labour services sub-contractors that are qualified in undertaking a labour service by subcontract. A main contractor can contract for the overall works for, or the main body of, a project, can perform all works that it contracted for by itself, or subcontract non-core construction works or labour services to qualified professional services contractors or qualified labour services sub-contractors. A qualified professional service contractor may enter into a contract to provide professional services subcontracted out by a main contractor, or by the Ministry of Housing under relevant provisions. Under such contracts, a professional services contractor may undertake all of the contracted work by itself, or subcontract out the labour assignment to qualified labour services sub-contractors. A qualified labour services sub-contractor may enter into a contract to provide labour services contracted out by a main contractor or a professional services contractor.

The qualification of professional services contractors engaging in steel structure engineering is divided into three grades, namely Grade One, Grade Two and Grade Three Steel Structure Engineering Professional Contractors, according to the Grade Standards for Qualification Steel Structure Engineering Contractor (鋼結構工程專業承包企業資質等級標準).

Steel Structure Engineering Professional Contractors can only undertake steel structure projects allowed within its grade, in terms of its span, contract sum, construction area and total weight of construction, unless it also possesses other construction qualification required in the PRC to undertake other construction activities.

For the design qualification for construction engineering, according to the Regulations on the Management of the Survey and Design Qualifications of Construction Engineering (建設工程勘察設計資質管理規定) and the Administrative Provisions on Survey and Design

Qualification for Construction Engineering (建設工程勘察設計資質管理規定實施意見), it is classified into three categories, namely all-inclusive qualification, sector qualification and special qualification. The all-inclusive qualification only has one grade, Grade One, and allows the provision of design services for any contracted work. Sector qualifications and special qualifications have classifications and grades based on the nature of the project and technology involved. Sector qualification allows for the provision of design services within the sector corresponding to a qualification grade. Special qualification allows for the provision of design services for special projects with the same grade. Enterprises with sector qualifications are allowed to provide design services for any special projects contracted by the same sector of the same grade without having to obtain a special qualification for the project design.

According to the Regulations on Construction Enterprises with Foreign Investment (外商投資建築業企業管理規定) which was jointly promulgated by the Ministry of Housing and the Ministry of Foreign Trade and Economic Cooperation on 27 September 2002 and effective from 1 December 2002, a foreign investor who wishes to establish construction enterprises with foreign investment within the PRC and engage in construction activities, must obtain the approval certificate for foreign-invested enterprise from the competent administrative agencies for foreign trade and economic activities, go through the registration at the State Administration for Industry and Commerce or the authorised local industrial and commercial bureaus and obtain the aptitude certificate for construction enterprise from competent construction department. Only the following kinds of projects shall be within the business scope of wholly-foreign owned construction enterprises according to their aptitude class: (i) foreign invested and/or granted projects; (ii) foreign financial institutions subsidised projects and awarded by international tender according to financing provisions; (iii) sino-foreign cooperation projects where the foreign investment is not less than 50%, or where the foreign investment is less than 50% and approved by the relevant PRC construction authority that it is unable to execute independently by PRC construction enterprise due to technical difficulty; and (iv) PRC invested and sino-foreign cooperation projects where it had been approved by the relevant PRC construction authority that it is unable to execute independently by PRC construction enterprise due to technical difficulty. The investment of the Chinese investor of sino-foreign equity construction joint ventures must comprise at least 25% of the registered capital. Meanwhile, sino-foreign equity construction joint ventures should contract projects within the authorised scope corresponding to its aptitude class. The construction departments of provinces, autonomous regions, and municipalities directly under the administration of the Central Government shall be in charge of the aptitude management within their respective administrative region according to these regulations.

In addition, according to the Regulations on the Administration of Foreign-invested Construction Design Enterprises (外商投資建設工程設計企業管理規定) which was jointly promulgated by the Ministry of Foreign Trade and Economic Cooperation and the Ministry of Housing on 27 September 2002 and effective from 1 December 2002, in order to establish foreign-invested construction design enterprises within the PRC and engage in construction design activities, a certificate of approval for foreign-invested enterprise must be obtained from the competent administrative agencies for foreign trade and economic activities with registration accomplished at the State Administration for Industry and Commerce or the authorised local industrial and commercial bureaus. An aptitude certificate for construction design enterprise from the competent construction department is also required. The total investment amount by the Chinese investors of sino-foreign equity construction design joint ventures must comprise at least 25% of the registered capital. There is no restriction under the Regulations on the Administration of Foreign-invested Construction Design Enterprises (外商投資建設工程設計企業管理規定) similar to those under the Administrative Provisions on the Qualifications of Enterprises in the Construction Industry (建築業企業資質管理規定) that limits the scope of construction projects which can be undertaken by construction enterprises with foreign investment.

Administration of tender and bid

According to the Tendering and Bidding Law of the PRC (中華人民共和國招標投標法), which took effect on 1 January 2000, a call for tender is required for all aspects (including construction, reconnaissance, design and supervision) of (i) projects such as large-scale infrastructure facilities and public utilities involving the social and public interests and public safety, (ii) projects invested wholly or partly by state-owned funds or funded through State financing and (iii) projects financed with funds from an international organisation or loans or aiding funds from foreign governments. A bidder shall have the capability to undertake the project subject to tender; and if the state has the provisions on the qualifications of bidders or the tender documents specifies the qualifications for bidders, a bidder shall have the qualifications provided or specified. Where the winning bidder is determined, the tenderer should not alter the bidding result and the winning bidder should not waive the winning project, and the tenderer and the winning bidder shall enter into a contract substantially in accordance with the tender documents and the bid documents.

Supervision on the quality of constructions and product liability of raw materials used in construction projects

Under the Regulations on the Quality Management of Construction Projects (建設工程質量管理條例) issued by the State Council and effective from 30 January 2000, sponsoring enterprises, reconnaissance firms, designers, construction enterprises and project supervisory enterprises will all be responsible for the quality of construction projects. For construction projects the entire works of which are governed by a main contract, the main contractor shall be responsible for the quality of the whole construction project and, where it subcontracts part of the project works, the sub-contractors will be jointly and severally responsible for the quality of the construction works. Contracting parties should present quality guarantee and maintenance certificates to the sponsoring enterprises when tendering the project completion report to the sponsoring enterprises.

Pursuant to the Product Quality Law of the PRC (中華人民共和國產品質量法), which was promulgated by the Standing Committee of the National People's Congress of the PRC on 22 February 1993 and amended on 8 July 2000, sellers of products shall not fabricate the place of origin or use the names of or pretend the product was made by other producers fraudulently. Any seller of product shall be responsible for the repair, replacement or return of the products and shall compensate for the damages incurred to end-users or consumers of the products in the event that: (i) the products do not have the function for use that they are supposed to have or which has not been explained in advance otherwise; (ii) the quality of the products does not conform to the standards specified on the products or the packages; or (iii) the quality of the products does not meet the quality specified in the instruction for use or shown by the samples if provided. Moreover, party to a contract is entitled to claim for damages or losses incurred as a result of other party's failure to perform or satisfy the obligations or terms under the contract pursuant to the Contract Law of the PRC (中華人民共和國合同法), and the amount of compensation is equal to the losses caused by the breach.

Work safety regulations and rules

According to the Work Safety Law of PRC (中華人民共和國安全生產法) (the "**Work Safety Law**"), which was adopted at the 28th meeting of the Standing Committee of the Ninth People's Congress of the PRC on 29 June 2002 and amended on 27 August 2009, the State Administration of Work Safety (國家安全生產監督管理總局) is in charge of the overall administration of work safety nationwide. The Work Safety Law provides that a production entity must meet the state's legal standard or industrial standard on work safety and provide work conditions set out in relevant laws, administrative rules and State or industry standards. An entity that cannot provide required work conditions may not engage in production and business operation activities. The designers or designing entities of the safety facilities of construction projects shall take responsibility for their designs of safety facilities. The production and business operation entities shall set up eye-catching safety warning marks at the production or business operation sites that have substantial dangerous elements or on the relevant facilities or equipments. The designing, manufacturing, installation, using, checking, maintenance, reforming and claiming as useless of safety equipments shall be in conformity with the national standards or industrial standards.

According to the Work Safety License Regulation (安全生產許可證條例) promulgated by the State Council and effective from 13 January 2004, a construction entity without a work safety license should not engage in construction activities.

According to the Regulations on Administration of Work Safety of Construction Projects (建設工程安全生產管理條例) promulgated by the State Council on 24 November 2003 and came into effect on 1 February 2004, an entity responsible for the work safety of a construction project will assume the liabilities of the work safety of the construction project. At the work site, the main contractor and the qualified subcontractors shall be jointly and severally liable for the work safety of the subcontracting projects. Where the main contractor legally subcontracts the construction project to other entities, the contract between the main contractor and the subcontractor shall specify their respective rights and obligations in respect of the work safety. However, the main contractor shall be primary responsible for the work safety.

REGULATIONS RELATING TO FOREIGN INVESTMENT IN THE PRC

Foreign-invested construction enterprises

Foreign capital invested construction enterprise, as other foreign capital invested enterprises, should be established and carry out the operations in accordance with the Law of the PRC on Sino-Foreign Equity Joint Ventures, the Law of the PRC on Sino-Foreign Cooperative Joint Ventures and the Law of the PRC on Foreign-invested Enterprises, and shall abide by the Construction Law of the PRC, the Tendering and Bidding Law of the PRC, the Regulations on the Quality Management of Construction Projects, the Regulations on Construction Enterprises with Foreign Investment and other relevant laws and administrative regulations.

The M&A provisions

The Provisions on the Acquisition of Domestic Enterprises by Foreign Investors (2006 Revision) (關於外國投資者併購境內企業的規定), or the M&A Provisions, issued by six PRC ministries including the Ministry of Commerce, the State Assets Supervision and Administration Commission, the State Administration of Taxation, the State Administration for Industry and Commerce, China Securities Regulatory Commission and the State Administration of Foreign Exchange ("**SAFE**"), effective from 8 September 2006 and amended on 22 June 2009, provide the rules with which foreign investors must comply should they seek to purchase by agreement the equities of the shareholders of a domestic non-foreign-funded enterprise or subscribe to the increased capital of a domestic non-foreign-funded enterprise, and thus change the domestic non-foreign-funded enterprise into a foreign funded enterprise to conduct asset merger and acquisition.

The Circular 75

According to the Notice of the SAFE on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Return Investment via Overseas Special Purpose Companies (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知), or the Circular 75, a domestic resident shall, before establishing or controlling an overseas special purpose company (the "**SPC**"), bring the prescriptive materials to the local branch of SAFE (the "**SAFE Branch**") to apply for going through the procedures for foreign exchange registration of overseas investments. A domestic resident may, after accomplishing the procedures for foreign exchange registration of overseas investments or for modification thereof in accordance with the legal provisions, pay the profits, dividends, liquidation expenses, stock right assignment expenses, capital decrease expenses, etc. to the SPC. Where a SPC meets with a major capital modification event such as capital increase or decrease, stock right assignment or exchange, merger or division, investment with long-term stock rights or credits, provision of guaranty to a foreign party, etc., and is not involved in return investment (the "**Major Events**"), the domestic resident shall, within 30 days as of the major event, apply to the SAFE Branch for going through the procedures for modification or filing of the foreign exchange registration of the overseas investment.

Regulations on foreign exchange

The Foreign Exchange Management Regulations (外匯管理條例) promulgated by the State Council on 29 January 1996 as amended on 5 August 2008, and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment (結匯、售匯及付匯管理規定) promulgated by the People's Bank of China on 20 June 1996 which became effective on 1 July 1996, apply and provide regulatory provisions to the foreign exchange transactions for foreign-invested enterprises. Foreign-invested enterprises are permitted to convert after-tax dividends into foreign exchange and to remit such foreign exchange from their bank accounts in PRC.

REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

Environmental Protection Law of the PRC

The "Environmental Protection Law of the PRC" (中華人民共和國環境保護法) promulgated on 26 December 1989 by the Standing Committee of the National People's Congress and came into effect on the date of promulgation, establishes the legal framework for environmental protection in the PRC. The competent administrative department of environmental protection under the State Council shall supervise and manage environmental protection work throughout the country in a unified manner. The competent administrative departments of environmental protection of the local people's governments at or above the county level shall supervise and manage environmental protection work within the respective areas under their jurisdiction in a unified manner. According to this law, entities that cause environmental pollution and other social harms are required to introduce environmental protection in their operation plan and establish an accountability system on environmental protection. Enterprises have to adopt effective measures to prevent and control the pollutions and harms by the exhaust gas, waste water, waste residue, dust, odor, radioactive substance, noise, vibration and electromagnetic wave radiation produced during the production and other activities.

Installations for the prevention and control of pollution in construction projects must be designed, built and commissioned together with the principal part of the project. Permission to commence production at or utilise any construction project shall not be granted until its installations for the prevention and control of pollution have been examined and confirmed to meet applicable standards by the competent administrative department of environmental protection that examined and approved the environmental impact statement.

Enterprises that discharge pollutants in their operation have to report and register according to the requirements of the environmental protection administrative competent division of the State Council. Enterprises that discharge pollutants exceeding the state or local standard of pollutant discharge have to pay the pollutant discharge fee for the additional discharge in accordance with the state requirements and be responsible for the remediation of the pollution.

Environmental impact appraisal

The Environmental Impact Appraisal Law (中華人民共和國環境影響評價法) promulgated by the Standing Committee of the National People's Congress on 28 October 2002 which became effective on 1 September 2003, the Administration Rules on Environmental Protection of Construction Projects (建設項目環境保護管理條例) promulgated by the State Council on 29 November 1998 which became effective on 29 November 1998, and the Measures for the Administration of Examination and Approval of Environmental Protection Facilities of Construction Projects (建設項目竣工環境保護驗收管理辦法) promulgated by the State Environmental Protection Administration of China on 27 December 2001 which became effective on 1 February 2002 and amended on 22 December 2010, require property owners of construction projects to engage qualified professionals to provide assessment reports on the environmental impact of such projects. The assessment report must be filed with, and approved by, the local environmental protection bureau, prior to commencement of any construction work. After completion, the construction projects must be checked and accepted by competent environmental protection bureau before being put into production or use.

TAXATION LAWS AND REGULATIONS

PRC Enterprise Income Tax Law

On 16 March 2007, the National People's Congress passed the law of the PRC on Enterprise Income Tax (the "**EIT Law**") EIT Law, with effect from 1 January 2008. The PRC Law adopted a uniform tax rate of 25% for all enterprises (including foreign-invested enterprises) and revoked the current tax exemption, reduction and preferential treatments applicable to foreign-invested enterprises. However, according to the Notice of the State Council on the Implementation of the Enterprise Income Tax Transitional Preferential Policy (國務院關於實施企業所得稅過渡優惠政策的通知) issued on 26 December 2007 and effective on 1 January 2008, there is a transition period for enterprises, whether foreign-invested or domestic, that received preferential tax treatments granted by relevant tax authorities prior to the effectiveness of the EIT Law. Enterprises that were subject to an enterprise income tax rate lower than 25% before the effectiveness of the EIT Law may continue to enjoy the lower rate and gradually transit to the new tax rate within five years after the effective date of the EIT Law. Enterprises that were granted preferential EIT treatments before the effectiveness of the EIT Law may continue to enjoy the preferential EIT treatments until their expiration.

Tax on dividends from PRC Enterprise with foreign investment

According to the Circular of Ministry of Finance and the State Taxation Administration on Several Preferential Policies Relevant to Enterprise Income Tax (財政部、國家稅務總局關於企業所得稅若干優惠政策的通知), the undistributed profits earned by foreign investment enterprises prior to 1 January 2008 and distributed to foreign investors later shall be exempt from PRC withholding tax, whereas the profits earned and distributed after 1 January 2008 shall be subject to PRC withholding tax pursuant to the EIT Law.

The EIT Law prescribes a standard withholding tax rate of 20% on dividends and other China-sourced passive income of non-resident enterprises. The Implementation Regulations reduced the rate from 20% to 10% which was effective from 1 January 2008. The PRC and Hong Kong signed the Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排) on 21 August 2006. According to the arrangement, no more than 5% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong tax resident, provided that the recipient is a company that holds at least 25% of the capital of the PRC company in any time for the past 12 months before the dividend distribution. The 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if the recipient is a company that holds less than 25% of the capital of the PRC company.

According to the Circular on Printing and Distributing the Tentative Administrative Measures on Tax Convention Treatments for Non-Residents (關於印發《非居民享受稅收協定待遇管理辦法(試行)》的通知), which was promulgated by the State Administration of Taxation on 24 August 2009 and effective from 1 October 2009, non-residents shall go through the formalities for examination and approval or filing in accordance with these Measures in order to be qualified for the tax convention treatments. No non-residents failing to go through the formalities for examination and approval or filing shall be entitled to tax convention treatments.

Value added tax

The Provisional Regulations of PRC Concerning Value Added Tax (中華人民共和國增值稅暫行條例) (the "**VAT Regulations**") was promulgated by the State Council on 10 November 2008 and came into effect on 1 January 2009. Under the VAT Regulations, value added tax is imposed on goods sold in or imported into the PRC and on processing, repair and replacement services provided within the PRC. Unless stated otherwise, for VAT payers who are selling or importing goods, and providing processing, repairs and replacement services in the PRC, the tax rate shall be 17%.

Business tax

The Provisional Regulations of PRC Concerning Business Tax (中華人民共和國營業稅暫行條例) (the "**Business Tax Regulations**") was promulgated by the State Council on 10 November 2008 and came into effect on 1 January 2009. Under the Business Tax Regulations, businesses that provide services (including entertainment business), assign intangible assets or sell immovable property are liable to business tax at a rate ranging from 3.0% to 20.0%, of the charges of the services provided, intangible assets assigned or immovable property sold, as the case may be. The formula for calculation of the amount of tax payable is set out below:

Amount of tax payable = business income × tax rate

The business income shall be calculated in RMB. Taxpayers that settle their amounts of business income in currency other than RMB shall convert the amounts into RMB. Construction services or other taxable services specified by the competent public finance and tax departments under the State Council, taxpayers shall declare and pay tax to the competent tax authorities at the place where the services are provided.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Regulations on patents

Under the revised Patent Law of the PRC (中華人民共和國專利法) promulgated on 27 December 2008 and effective on 1 October 2009, there are three types of patents, including invention patents, design patents and utility model patents. Invention patents are valid for 20 years, while design patents and utility model patents are valid for 10 years, in each case commencing on their respective application dates. Persons or entities who use patents without the consent of the patent owners, make counterfeits of patented products, or engage in activities that infringe upon patent rights are held liable to the patent owner for compensation and may be subject to fines and even criminal punishment.

According to the Patent Law of the PRC, any entity or individual that seeks to exploit a patent owned by another party shall enter into a patent license contract with the patent owner concerned and pay patent royalties to the patent owner. The licensee does not have the right to allow any entity or individual not specified in the contract to exploit such patent.

Regulations on trademarks

Both the Trademark Law of the PRC (中華人民共和國商標法) promulgated by the National People's Congress Standing Committee in 1982 and amended in 2001, and the Regulation on Implementation of Trademark Law of the PRC (中華人民共和國商標法實施條例) promulgated by the State Council in 2002 provide protection to the holders of registered trademarks. In the PRC, registered trademarks include commodity trademarks, service trademarks, collective marks and certificate marks.

The Trademark Office under the State Administration for Industry and Commerce (國家工商行政管理總局商標局) handles trademark registrations and grants a term of 10 years to registered trademarks, renewable every 10 years where a registered trademark needs to be used after the expiration of its validity term, a registration renewal application shall be filed within six months prior to the expiration of the term.

Under the Trademark Law of the PRC, any of the following acts may be regarded as an infringement upon the right to exclusive use of a registered trademark, including (i) using a trademark which is identical with or similar to the registered trademark on the same or similar commodities without authorisation; (ii) selling the commodities that infringe upon the right to exclusive use of a registered trademark; (iii) forging, manufacturing the marks of a registered trademark of others without authorisation, or selling the marks of a registered trademark forged or manufactured without authorisation; (iv) altering another party's registered trademark without authorisation and selling goods bearing such an altered trademark; and (v) causing other damage to the right to exclusive use of a registered trademark of another person.

Violation of the Trademark Law of the PRC may result in the imposition of fines, confiscation and destruction of the infringing commodities.

Trademark license agreements must be filed with the Trademark Office under the State Administration for Industry and Commerce or its regional counterparts. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities.

In addition, according to the Provisions on Recognition and Protection of Well-known Trademarks (馳名商標認定和保護規定) promulgated by State Administration for Industry and Commerce on 17 April 2003 and effective on 1 June 2003, well-known trademarks, which are recognised on a case-by-case basis by the Trademark Review and Adjudication Board of the State Administration for Industry and Commerce, the Trademark Office, or the PRC courts, are protected by PRC law.

LABOUR LAW AND REGULATIONS

Enterprises in China are mainly subject to the following PRC labour laws and regulations: the Labour Law of the PRC (中華人民共和國勞動法), the PRC Labour Contracts Law (中華人民共和國勞動合同法), the Social Insurance Law of the PRC (中華人民共和國社會保險法), the Regulation of Insurance for Work-Related Injury (工傷保險條例), the Regulations on Unemployment Insurance (失業保險條例), the Provisional Measures on Insurance for Maternity of Employees (企業職工生育保險試行辦法), the Interim Provisions on Registration of Social Insurance (社會保險登記管理暫行辦法), the Interim Regulation on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例), the Administrative Regulation on Housing Fund (住房公積金管理條例) and other related regulations, rules and provisions issued by the relevant governmental authorities form time to time.

Pursuant to the Labour Law of the PRC, companies must enter into employment contracts with their employees, based on the principles of equality, consent and agreement through consultation. Companies must establish and effectively implement a system of ensuring occupational safety and health, educate employees on occupational safety and health, preventing work-related accidents and reducing occupational hazards. Companies must also pay for their employees' social insurance premium.

The principal regulations governing the employment contract is the PRC Labour Contracts Law, which was promulgated by the Standing Committee of the National People's Congress on 29 June 2007 and came into effect on 1 January 2008. Pursuant to the PRC Labour Contracts Law, employers shall establish employment relationship with employees on the date that they start employing the employees. To establish employment, a written employment contract shall be concluded, or employers will be liable for the illegal actions. Furthermore, the probation period and liquidated damages shall be restricted by the law to safeguard employees' rights and interests.

As required under the Regulation of Insurance for Work-Related Injury, the Provisional Measures on Insurance for Maternity of Employees, the Interim Provisions on Registration of Social Insurance and the Administrative Regulation on Housing Fund, enterprises in China are obliged to provide employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, injury insurance, medical insurance and housing accumulation fund.

OUR BUSINESS HISTORY

In 1998, Mr. Jiang, whose background is set out in the section headed "Directors, senior management and staff" in this prospectus, founded our Group by setting up Saite Steel (Jiangsu) which was principally engaged in steel structure projects. The steel structure projects that we then participated in include projects of schools and small scale factories. Further details of the corporate history of Saite Steel (Jiangsu) is set out in the paragraph headed "Our PRC subsidiaries" in the section headed "Reorganisation" in this prospectus.

In March 2002, we were awarded with the qualification of Grade Two Steel Structure Engineering Professional Contractor by the Jiangsu Department of Housing and we began to participate in steel structure projects in respect of exhibition centres and stadiums.

Since November 2005, we have been accredited with the qualification of Grade One Steel Structure Engineering Professional Contractor by the Ministry of Housing, the highest national qualification in this aspect, which enables us to undertake all kinds of steel structure projects without limitation in span, contract sum, construction area or total weight of construction. With such qualification, we then began to participate in public infrastructure projects. 中國鋼結構金獎(國家優質工程) (National Steel Structure Gold Medal (National Quality Project)) was awarded to two projects which we had participated in, namely 武漢火車站鋼結構工程 (Wuhan Train Station Steel Structure Project) and 廣州火車站鋼結構工程 (Guangzhou Train Station Steel Structure Project) in 2011.

In 2006, we extended the provision of our services to construction projects outside the PRC through the supply of steel structure parts that were tailor-made for use in such projects by cooperating with local customers. With our experience in supplying steel structure parts tailor-made for overseas projects, in August 2010, we supplied steel structure products for a power plant construction project in Bangladesh to a customer in the PRC who was the contractor of the project. Our customer was responsible for the export compliance and all payments were made in RMB. As our customer was a local enterprise, we were not subject to any laws and regulations in Bangladesh. Payments for this project were made by stages based on the milestone events stipulated in the contract. As at the Latest Practicable Date, we did not have any expansion plan for carrying out construction projects in overseas markets.

To further strengthen our own research and development capabilities and knowhow, we began our cooperation with Southeast University in relation to the research and development of steel structures and prefabricated construction techniques in 2011. Southeast University is a tertiary education institution recognised by the Ministry of Education of the PRC and is one of the leading experts in the industry which published the technical standards of construction in Jiangsu Province, named 預製預應力混凝土裝配整體式框架(世構體系)技術規程 (Prefabricated Concrete Framework (the World Constitutive System) Technical Specification) which was announced to be the compulsory standard to be applied by enterprises in China by the PRC government on 1 October 2011. According to the agreement entered into between Southeast University and us in April 2011 which was replaced by another agreement in May 2012, a research centre dedicated for the research and development of steel structures and prefabricated construction techniques would be jointly established by our Group and Southeast University. Further, any invention developed by the research centre would be solely owned by us. Except with the written permission of our Group, Southeast University is not allowed to utilise such invention. As at the Latest Practicable Date, we owned three registered utility model patents and had the exclusive right to use three registered invention patents and utility model patents pursuant to licence agreements, and applied for the registration of two invention patents in the PRC. We commenced provision of services for prefabricated construction projects in late 2010.

During the Track Record Period, we were awarded 115 new projects with an aggregate net value of contract (excluding the applicable value added tax) of approximately RMB3,663.9 million. As at the Latest Practicable Date, we had eight projects in progress.

Below are the milestones in our business development since we were founded in 1998 and up to the Latest Practicable Date:

Time	**Event**
September 1998	Establishment of Saite Steel (Jiangsu)
1999	Commenced provision of steel structure parts
March 2002	Accredited with the qualification of Grade Two Steel Structure Engineering Professional Contractor by the Jiangsu Department of Housing. Began to participate in steel structure projects in respect of exhibition centres and stadiums
September 2002	Engaged participated in the construction project of 哈爾濱國際會展體育中心1號工程鋼網架製作安裝工程 (Harbin International Conference Exhibition and Sports Centre, No. 1 Construction Project on Construction and Installation of Steel Grid)
November 2005	Accredited with the qualification of Grade One Steel Structure Engineering Professional Contractor by the Ministry of Housing, the highest national qualification in this aspect, which enables us to undertake all kinds of steel structure projects. Began to participate in public infrastructure projects
2006	Commenced supply of tailor-made steel structure parts for construction projects outside the PRC

Time	Event
August 2007	Awarded with 紫金杯獎 (Purple Gold Cup) by 江蘇省建築鋼結構混凝土協會 (Construction Steel Structures and Concrete Association of Jiangsu Province) for participation in 馬鞍山市采東橋工程 (Ma An Shan City Caidong Bridge)
January 2010	Accredited with Class B Construction Design Qualification by the Jiangsu Department of Housing which is a qualification that enables us to undertake design works of light steel structures in the PRC
August 2010	Participated in a steel structure project for the construction of a power plant in Bangladesh
Late 2010	Commenced provision of services for prefabricated construction projects
April 2011	Began cooperation with Southeast University in the PRC in relation to the research and development of steel structures and prefabricated construction techniques
July 2011	Awarded with 紫金杯獎 (Purple Gold Cup) by 江蘇省建築鋼結構混凝土協會 (Construction Steel Structures and Concrete Association of Jiangsu Province) for participation in 上海世博會尼泊爾館鋼結構工程（製作、安裝） (Shanghai Expo Nepal Pavilion Steel Structure Project (fabrication, installation))
November 2012	Accredited with ISO9001:2008 quality management certification by 北京大陸航星質量認證中心有限公司 (Beijing Daluhangxing Quality Certification Centre Co., Ltd.*) in respect of (i) the steel building project construction (within the scope of qualification); and (ii) the manufacturing of steel structures

OUR PRC SUBSIDIARIES

Our principal operating entity is Saite Steel (Jiangsu), which was owned as to 75% by Modern Day and as to 25% by Yixing Zhicheng as at the Latest Practicable Date. Yixing Zhicheng is a wholly owned subsidiary of Saite Steel (HK). Both Modern Day and Saite Steel (HK) were wholly owned subsidiaries of Saite Steel (BVI) which is in turn wholly owned by our Company as at the Latest Practicable Date. Set out below is the brief corporate history of Saite Steel (Jiangsu) and Yixing Zhicheng:

Saite Steel (Jiangsu)

Saite Steel (Jiangsu) was established by Mr. Jiang Jinhe (the father of Mr. Jiang), Mr. Jiang and Mr. Shen Deqiang (an Independent Third Party) in the PRC on 24 September 1998, with the name 宜興市賽特新型建築材料安裝有限公司 (Yixing City Saite New Construction Materials and Installation Company Limited*).

The establishment of Saite Steel (Jiangsu) was approved by the relevant PRC regulatory authorities on 24 September 1998. The business licence was granted to Saite Steel (Jiangsu) on 24 September 1998. The scope of business of Saite Steel (Jiangsu) included processing of colour steel plate and steel structure, installation and design. The then registered capital of Saite Steel (Jiangsu) amounted to RMB1,680,000, which was contributed as to RMB840,000 by Mr. Jiang Jinhe, as to RMB672,000 by Mr. Jiang and as to RMB168,000 by Mr. Shen Deqiang with their own respective financial resources, representing 50%, 40% and 10% of the then entire registered capital of Saite Steel (Jiangsu), respectively. As at 8 September 1998, the registered capital of RMB1,680,000 was fully paid-up by the abovementioned shareholders.

In June 2003, changes were made to the scope of business and registered capital of Saite Steel (Jiangsu). The scope of business was changed to processing of colour steel plate and steel structure and the registered capital was increased to RMB10,500,000, which was contributed by Mr. Jiang Jinhe as to RMB840,000, by Mr. Jiang as to RMB9,492,000 and by Mr. Shen Deqiang as to RMB168,000, representing 8.0%, 90.4% and 1.6% of the then entire registered capital of Saite Steel (Jiangsu), respectively. The updated business licence was granted to Saite Steel (Jiangsu) on 30 June 2003. As at 25 June 2003, the registered capital of RMB10,500,000 was fully paid-up by the abovementioned shareholders.

In December 2003, changes were made to the company name and scope of business of Saite Steel (Jiangsu). The name of Saite Steel (Jiangsu) was changed to 江蘇賽特鋼結構有限公司 (Jiangsu Site Steel Structure Co. Ltd.). The scope of business was changed to processing of colour steel plate and steel structure, professional contractor of steel structure project according to Grade Two qualification (for those subject to special approval would be operated according to the qualification certificate). The updated business licence was granted to Saite Steel (Jiangsu) on 29 December 2003.

In March 2005, the registered capital of Saite Steel (Jiangsu) was further increased to RMB20,500,000. The registered capital contributed by Mr. Shen Deqiang was transferred to Mr. Jiang, and Mr. Jiang Jinhe and Mr. Jiang contributed further capital of RMB390,000 and RMB9,610,000. The transfer from Mr. Shen Deqiang to Mr. Jiang was properly and legally completed and settled. Therefore, out of the total registered capital of RMB20,500,000, RMB1,230,000 was contributed by Mr. Jiang Jinhe and RMB19,270,000 was contributed by Mr. Jiang, representing 6% and 94% of the then entire registered capital of Saite Steel (Jiangsu), respectively. The updated business licence was granted to Saite Steel (Jiangsu) on 6 April 2005. As at 6 April 2005, the registered capital of RMB20,500,000 was fully paid-up by the abovementioned shareholders.

In August 2006, changes were made to the registered capital and scope of business of Saite Steel (Jiangsu). The registered capital was increased to RMB50,000,000, which would be contributed by Mr. Jiang Jinhe as to RMB3,000,000 and by Mr. Jiang as to RMB47,000,000, representing 6% and 94% of the then entire registered capital of Saite Steel (Jiangsu), respectively. The scope of business was changed to processing of colour steel plate and steel structure, professional contractor of steel structure project according to Grade One qualification (the aforesaid scope subject to special approval would be operated according to the valid qualification certificate). The updated business licence was granted to Saite Steel (Jiangsu) on 9 August 2006. As at 9 August 2006, the registered capital of RMB50,000,000 was fully paid-up by the abovementioned shareholders.

On 8 September 2007, each of Mr. Jiang Jinhe and Mr. Jiang entered into equity transfer agreements with Site Holdings pursuant to which both Mr. Jiang Jinhe and Mr. Jiang agreed to transfer their respective equity interest in Saite Steel (Jiangsu) i.e. RMB3,000,000 and RMB47,000,000 representing 6% and 94% of its paid-up capital to Site Holdings for an aggregate consideration of RMB89,468,400 (the "**Acquisition**"). Site Holdings was incorporated in Singapore on 31 July 2007 and one share was issued and allotted to Mr. Toe Teow Heng ("**Mr. Toe**"), an Independent Third Party, at incorporation. Such one share was held on trust by Mr. Toe on behalf of Mr. Jiang as to 49% and Mr. Tong as to 51% for administrative convenience. The consideration for the Acquisition was paid as to 49% by Mr. Jiang (by a loan from Mr. Tong as Mr. Jiang did not have foreign currency) and as to 51% by Mr. Tong, as the ultimate beneficial interest of Site Holdings was held as to 49% by Mr. Jiang and 51% by Mr. Tong through nominee arrangements, respectively. Site Holdings was intended to act as the immediate holding company of Saite Steel (Jiangsu) when we were exploring the possibility of conducting a listing exercise in Singapore in 2007. However, such listing exercise did not proceed. Further details of such arrangements are set out in the paragraphs headed "Companies comprising our Group" in Appendix V to this prospectus.

According to a confirmation from 宜興市商務局 (Yixing Bureau of Commerce) (formerly known as 宜興市對外貿易經濟合作局 (Bureau of the Foreign Trade and Economic Commission of Yixing)) dated 2 November 2012, (i) Saite Steel (Jiangsu) had submitted all relevant documents in relation to the Acquisition as required under the relevant PRC laws and regulations for the application for approval of the Acquisition, and made a complete and accurate explanation in relation to the status of Site Holdings (including, but not limited to, corporate information, registered shareholders, controlling shareholder and whether any relationship existed between Site Holdings and the then shareholders of Saite Steel (Jiangsu) before the Acquisition, namely, Mr. Jiang Jinhe and Mr. Jiang) and the aforementioned trust arrangement in the one share of Site Holdings held on trust by Mr. Toe on behalf of Mr. Jiang as to 49% and Mr. Tong as to 51% and the aforementioned way of payment of consideration for the Acquisition; (ii) the Bureau of Foreign Trade and Economic Cooperation of Yixing (宜興市對外貿易經濟合作局) had submitted all relevant documents to 江蘇省對外貿易經濟合作廳 (Bureau of Foreign Trade and Economic Cooperation of Jiangsu Province) and made a complete and accurate explanation to 江蘇省對外貿易經濟合作廳 (Bureau of Foreign Trade and Economic Cooperation of Jiangsu Province); (iii) approval for such transfers was obtained on 18 September 2007 from Bureau of Foreign Trade and Economic Cooperation of Jiangsu Province; and (iv) the required procedures to effect the change of Saite Steel (Jiangsu) to a WFOE is legal and valid. Based on the above confirmation and as advised by our PRC Legal Advisers, as the Acquisition was made by Site Holdings which was then controlled by Mr. Tong who is a Hong Kong permanent resident, the Acquisition was a merger and acquisition of domestic enterprise by a foreign investor and does not involve a PRC resident acquiring a domestic enterprise by a company incorporated in foreign country controlled by him/her which is required to be reported to the Ministry of Commerce for approval pursuant to article 11 of the M&A Rules. As such, our PRC Legal Advisers confirmed that the aforementioned trust arrangement in the one share of Site Holdings held on trust by Mr. Toe on behalf of Mr. Jiang as to 49% and Mr. Tong as to 51% and the aforementioned way of payment of consideration for the Acquisition has been repeated clearly to the authority according to the requirement of the M&A Rules, and the Joint Sponsors concurred with the view of our PRC Legal Advisers.

Furthermore, our PRC Legal Advisers advised that, as the necessary approvals were obtained for Saite Steel (Jiangsu) from the relevant PRC authorities, our PRC Legal Advisers confirmed that the Acquisition is legal and valid. Approval for such transfers was obtained on 18 September 2007 from the relevant PRC regulatory authorities. The Certificate of Approval for Establishment of Enterprises with Foreign Investment in the PRC in respect of the transfers and the updated business licence were granted to Saite Steel (Jiangsu) on 18 September 2007 and 25 September 2007, respectively. Saite Steel (Jiangsu) had duly made an application to the Jiangsu Department of Housing for the change of its 建築業企業資質證書 (Qualification Certificate of Construction Enterprise).

On 8 August 2011, Site Holdings entered into an equity transfer agreement with Modern Day pursuant to which Site Holdings agreed to transfer its entire equity interest in Saite Steel (Jiangsu) i.e. RMB50,000,000 of the paid-up capital to Modern Day. The transfer was properly and legally completed and settled. Modern Day was incorporated on 22 February 2011 in Hong Kong with an authorised capital of HK$10,000 divided into 10,000 ordinary shares of HK$1.00 each. The then issued capital of Modern Day was one ordinary share of HK$1.00 each, which was owned by Site Holdings. Modern Day was an investment vehicle holding interest in Saite Steel (Jiangsu). Other than holding its interests in Site Steel (Jiangsu), Modern Day does not carry on any business. Approval for such transfer was obtained on 22 August 2011 from the relevant PRC regulatory authorities. The Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hong Kong, Macao and Overseas Chinese in the PRC in respect of transfer and the updated business licence were granted to Saite Steel (Jiangsu) on 24 August 2011 and 7 September 2011, respectively.

Yixing Zhicheng

According to the Construction FI Regulations, sino-foreign equity construction joint ventures can undertake projects within the authorised scope corresponding to its qualification and the investment of the Chinese investor of a sino-foreign equity construction joint venture must comprise at least 25% of its registered capital. Therefore, Yixing Zhicheng was established in the PRC by two Independent Third Parties who are PRC individuals, at the direction of Mr. Jiang, on 2 July 2012 with a registered capital of RMB16,667,000 which was fully paid-up as at 2 July 2012. The registered capital of Yixing Zhicheng was contributed by Mr. Jiang, Mr. YX Jiang, Mr. Tong, Mr. Lai Chau Yung and Ms. Feng Mei at their respective ultimate beneficial interest of Saite Steel (Jiangsu). As Mr. YX Jiang is the son of Mr. Jiang, Mr. Jiang paid for Mr. YX Jiang's share. Each of Mr. Tong, Mr. Lai and Ms. Feng funded the registered capital through obtaining a loan from Mr. Jiang as they are Hong Kong individuals and require Mr. Jiang's assistance to provide financing in RMB. The two Independent Third Parties agreed to utilise Yixing Zhicheng to hold 25% of the registered capital of Saite Steel (Jiangsu) on behalf of Mr. Jiang, Mr. YX Jiang, Mr. Tong, Mr. Lai Chau Yung and Ms. Feng Mei. The business licence was granted to Yixing Zhicheng on 2 July 2012. According to the business licence, the scope of business of Yixing Zhicheng includes providing management consultancy services to enterprises.

On 2 August 2012, equity transfer agreements were entered into between the two Independent Third Parties and Saite Steel (HK) pursuant to which the two Independent Third Parties agreed to transfer the entire equity interest in Yixing Zhicheng i.e. RMB16,667,000 of the paid-up capital to Saite Steel (HK) ("**Yixing Zhicheng Acquisition**"). According to a confirmation from 宜興市商務局 (Yixing Bureau of Commerce) (formerly known as 宜興市對外貿易經濟合作局 (Bureau of Foreign Trade and Economic Cooperation of Yixing)) dated 27 March 2013, (i) Yixing Zhicheng had submitted all relevant documents in relation to the Yixing Zhicheng Acquisition as required under the relevant PRC laws and regulations for the application for approval of the Yixing Zhicheng Acquisition, and made a complete and accurate explanation in relation to the status of Saite Steel (HK) (including, but not limited to, corporate information, registered shareholders, controlling shareholder and whether any relationship existed between Saite Steel (HK) and the then shareholders of Yixing Zhicheng before the Yixing Zhicheng Acquisition) and the aforementioned arrangement of holding the respective interests of Mr. Jiang, Mr. YX Jiang, Mr. Tong, Mr. Lai Chau Yung and Ms. Feng Mei in Yixing Zhicheng; (ii) 宜興市對外貿易經濟合作局 (Bureau of Foreign Trade and Economic Cooperation of Yixing) had submitted all relevant documents to 江蘇省商務廳 (Department of Commerce of Jiangsu Province) and made a complete and accurate explanation to 江蘇省商務廳 (Department of Commerce of Jiangsu Province); (iii) approval for such transfers was obtained on 30 October 2012 from 江蘇省商務廳 (Department of Commerce of Jiangsu Province); and (iv) the required procedures to effect the change of Yixing Zhicheng to a WFOE is legal and valid. The Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hong Kong, Macao and Overseas Chinese in the PRC and the business licence were granted to Yixing Zhicheng on 30 October 2012 and 6 November 2012, respectively.

As advised by our PRC Legal Advisers, (i) each of Mr. Jiang and Mr. YX Jiang has completed the circular 75 registration in relation to the establishment of Yixing Zhicheng (as an overseas special purpose company) for investing in Saite Steel (Jiangsu); (ii) requisite approval and registration have been obtained and completed in accordance with the M&A Rules for the Yixing Zhicheng Acquisition, and the Yixing Zhicheng Acquisition and the change of Yixing Zhicheng to a WFOE is legal and valid; (iii) according to the Construction FI Regulations, a sino-foreign joint venture enterprise is allowed to undertake any construction project within its authorised scope according to its qualification, and it does not require the Chinese party in the sino-foreign joint venture enterprise to be a domestic enterprise (a Chinese company whose shareholders are not foreign companies, enterprises or entities). Based on the aforesaid, our PRC Legal Advisers advised that the reorganisation of Yixing Zhicheng (including establishing Yixing Zhicheng by two PRC individuals at the direction of Mr. Jiang which registered capital was contributed by Mr. Jiang, Mr. YX Jiang, Mr. Tong, Mr. Lai Chau Yung and Ms. Feng Mei, subscribing 25% interest in Saite Steel (Jiangsu) by Yixing Zhicheng, and transferring of all interest in Yixing Zhicheng to Saite Steel (HK) by the two PRC individuals shortly after the change of Saite Steel (Jiangsu) from a WFOE to a sino-foreign joint venture) complies with the applicable PRC laws and regulations, including but not limited to the Construction FI Regulations, and the Joint Sponsors concurred with the view of our PRC Legal Advisers.

Since 6 November 2012 and up to the Latest Practicable Date, Yixing Zhicheng had been an indirect wholly owned subsidiary of our Company.

INTRODUCTION

In contemplation of the Listing, members of our Group have undergone certain restructuring steps whereby a coherent corporate structure of our Group has been established which is suitable for listing on the Main Board. Our Reorganisation involved the following principal steps:

(1) incorporation of our Company;

(2) incorporation of Saite Steel (BVI);

(3) incorporation of Saite Steel (HK);

(4) establishment of Yixing Zhicheng;

(5) Saite Steel (Jiangsu) became a joint venture of Modern Day and Yixing Zhicheng;

(6) acquisition of the entire equity interest of Yixing Zhicheng by Saite Steel (HK);

(7) increase in authorised share capital of Modern Day and issue and allotment of shares in Modern Day to Saite Steel (BVI), and acquisition of the shares in Modern Day by Saite Steel (BVI) from Site Holdings; and

(8) transfer of Shares from Keen Luck to Mr. Lai Chau Yung.

DETAILED PROCEDURES

For the purpose of Listing, the following Reorganisation steps have been implemented:

(1) Incorporation of our Company

On 31 July 2012, our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with an authorised share capital of HK$380,000 divided into 3,800,000 Shares of HK$0.10 each. On the date of incorporation, our Company issued and allotted one nil paid Share to Codan Trust Company (Cayman) Limited, which was transferred to Keen Luck on the same day.

As advised by our PRC Legal Advisers, each of Mr. Jiang and Mr. YX Jiang, being two PRC ultimate beneficial owners of our Company, has completed the circular 75 registration on 29 October 2012.

(2) Incorporation of Saite Steel (BVI)

On 21 June 2012, Saite Steel (BVI) was incorporated in the BVI for the purpose of acting as the intermediate company of our Group with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. On the same day, Saite Steel (BVI) allotted and issued one share at par value to Mr. Jiang, which was transferred to our Company at par value on 9 August 2012.

(3) Incorporation of Saite Steel (HK)

Saite Steel (HK) was incorporated in Hong Kong on 23 July 2012 with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each, among which one share was issued and allotted to Saite Steel (BVI) at incorporation at par value as part of our Reorganisation.

(4) Establishment of Yixing Zhicheng

Yixing Zhicheng was established by two Independent Third Parties who are PRC individuals, at the direction of Mr. Jiang, on 2 July 2012 with a registered capital of RMB16,667,000 which was fully paid-up as at 2 July 2012. The registered capital of Yixing Zhicheng was contributed by Mr. Jiang, Mr. YX Jiang, Mr. Tong, Mr. Lai Chau Yung and Ms. Feng Mei at their respective ultimate beneficial interest of Saite Steel (Jiangsu) and these two Independent Third Parties, through Yixing Zhicheng, were holding 25% of the registered capital of Saite Steel (Jiangsu) on behalf of Mr. Jiang, Mr. YX Jiang, Mr. Tong, Mr. Lai Chau Yung and Ms. Feng Mei. The business licence was granted to Yixing Zhicheng on 2 July 2012.

(5) Saite Steel (Jiangsu) became a joint venture of Modern Day and Yixing Zhicheng

On 4 July 2012, the registered capital of Saite Steel (Jiangsu) was increased from RMB50,000,000 to RMB66,667,000, which was contributed by Modern Day as to RMB50,000,000 and Yixing Zhicheng as to RMB16,667,000, representing 75% and 25% of the then entire registered capital of Saite Steel (Jiangsu), respectively. The Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hong Kong, Macao and Overseas Chinese in the PRC and the business licence were granted to Saite Steel (Jiangsu) on 11 July 2012 and 26 July 2012, respectively.

(6) Acquisition of the entire equity interest of Yixing Zhicheng by Saite Steel (HK)

On 2 August 2012, an equity transfer agreement was entered into between the then two equity owners of Yixing Zhicheng and Saite Steel (HK) pursuant to which the then two equity owners of Yixing Zhicheng agreed to transfer the entire equity interest in Yixing Zhicheng, i.e. RMB16,667,000 of the paid-up capital, to Saite Steel (HK) at the consideration of RMB16,667,000. The Certificate of Approval for Establishment of

Enterprises with Investment of Taiwan, Hong Kong, Macao and Overseas Chinese in the PRC and the business licence were granted to Yixing Zhicheng on 30 October 2012 and 6 November 2012, respectively.

(7) Increase in authorised share capital of Modern Day and issue and allotment of shares in Modern Day to Saite Steel (BVI), and acquisition of the shares in Modern Day by Saite Steel (BVI) from Site Holdings

On 10 December 2012, the directors of Modern Day approved the increase of the authorised share capital of Modern Day from HK$10,000 to HK$1,000,000 by the creation of an additional 990,000 new shares of HK$1.00 each in Modern Day. On the same day, 999,998 shares of Modern Day were allotted and issued at par value to Saite Steel (BVI).

Pursuant to a share purchase agreement entered into by, among others, Site Holdings as vendor and Saite Steel (BVI) as purchaser on 28 December 2012, Site Holdings agreed to transfer its shares in Modern Day to Saite Steel (BVI), being two shares of HK$1.00 each, in consideration of and in exchange for which our Company, at the direction of Site Holdings, (i) credited as fully paid at par the one nil paid Share then held by Keen Luck; and (ii) allotted and issued, at the direction of Saite Steel (BVI), 999,999 Shares credited as fully paid to Keen Luck.

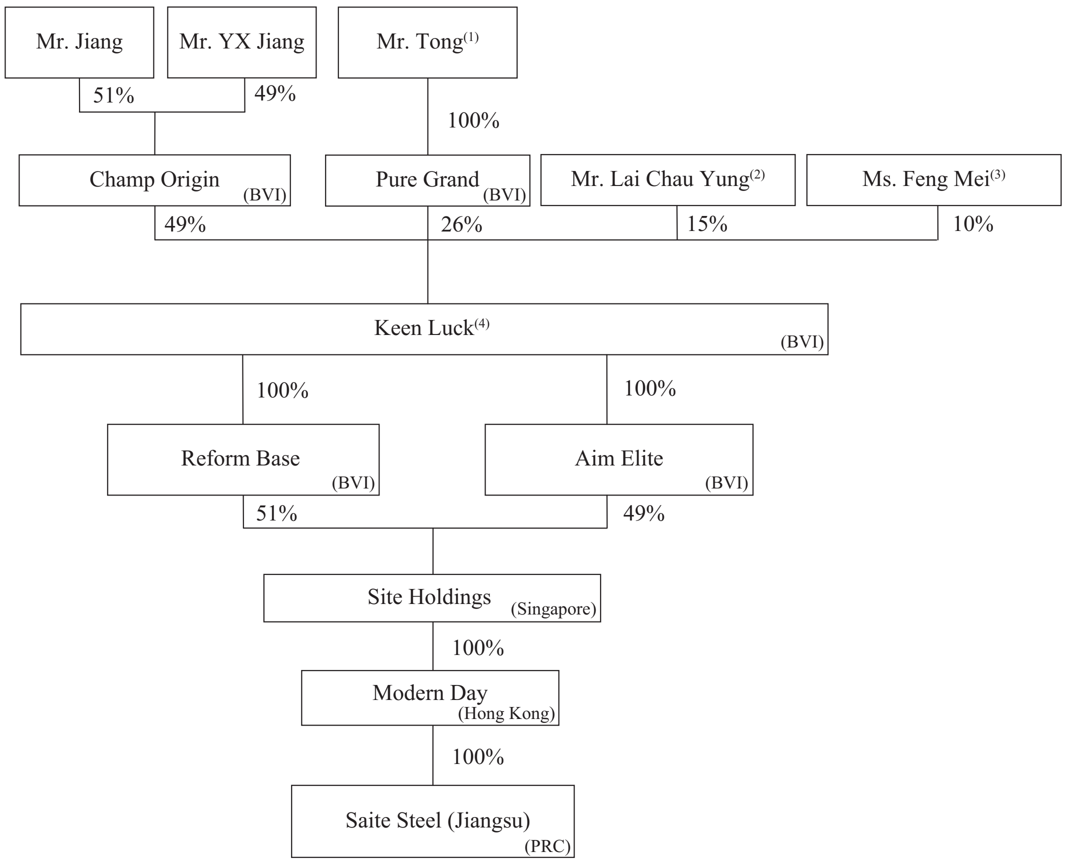
(8) Transfer of shares in our Company from Keen Luck to Mr. Lai Chau Yung

On 5 June 2013, Keen Luck allotted and issued 4,410 shares, 2,340 shares, 1,350 shares and 900 shares of US$1.00 each to each of Champ Origin, Pure Grand, Mr. Lai Chau Yung and Ms. Feng Mei. Their respective interest in Keen Luck remained to be 49%, 26%, 15% and 10%. On the same date, Mr. Lai Chau Yung transferred 865 shares, 459 shares and 176 shares (represented all of his shareholding in Keen Luck) of Keen Luck to each of Champ Origin, Pure Grand and Ms. Feng Mei, respectively. In consideration and in exchange of such transfer, Keen Luck transferred a total of 150,000 Shares to Mr. Lai Chau Yung.

As a result of the above allotment and transfers, each of Champ Origin, Pure Grand and Ms. Feng Mei was interested in 57.65%, 30.59% and 11.76% respectively in Keen Luck and Keen Luck was in turn interested in 85% of our Company, and Mr. Lai Chau Yung was interested in 15% of our Company. The ultimate beneficial owners of our Company and each of their interest in our Company remained unchanged.

CORPORATE STRUCTURE

Set out below is the shareholding structure of our Group and our Shareholders immediately before our Reorganisation:



Notes:

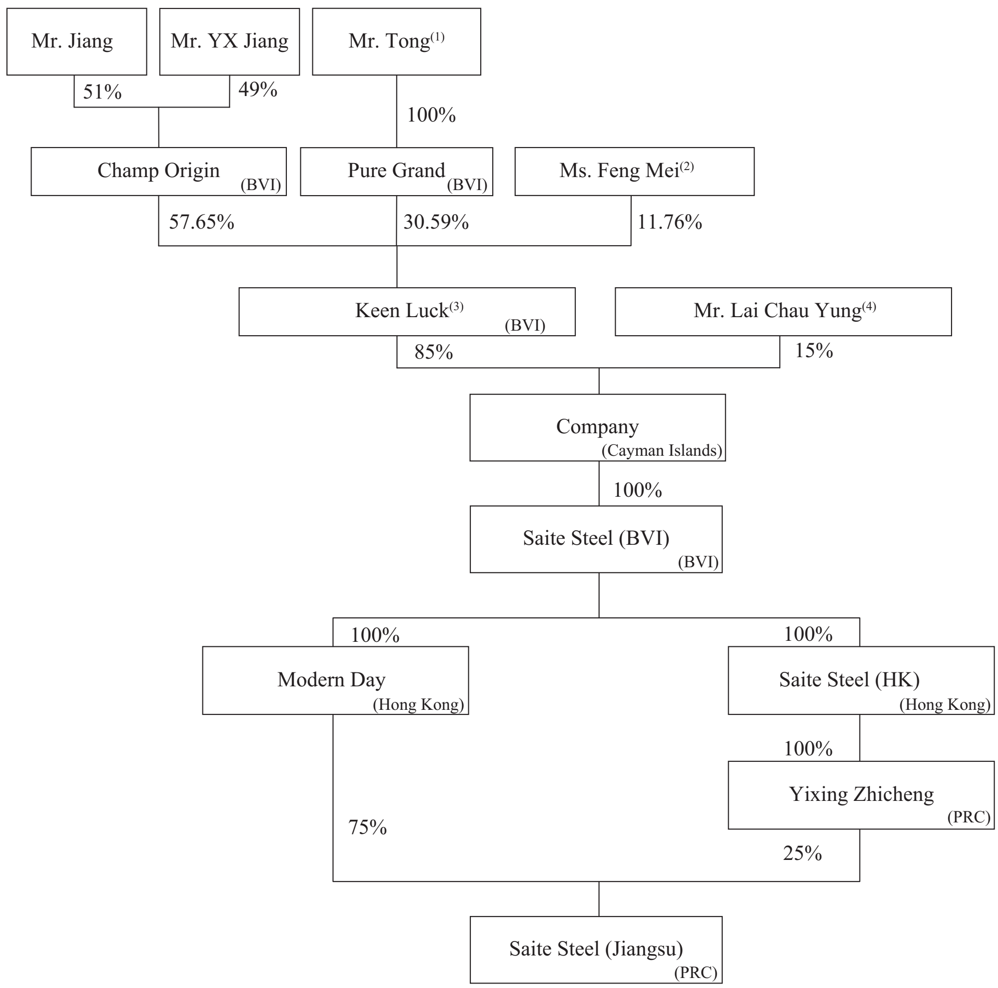
1. Mr. Tong, an Independent Third Party, is a Hong Kong permanent resident who was interested in investing in the business of Saite Steel (Jiangsu) and was introduced to Mr. Jiang by Mr. Jiang's personal friend when we were exploring the possibility of conducting a listing exercise in Singapore in 2007, which eventually did not proceed.

2. Mr. Lai Chau Yung, a Substantial Shareholder, is a Hong Kong permanent resident who was interested in investing in the business of Saite Steel (Jiangsu) and was introduced to Mr. Tong by Mr. Tong's personal friend. He acquired 15% of the then total issued shares in Keen Luck from Mr. Tong in 2011 and became acquainted with Mr. Jiang during the acquisition.

3. Ms. Feng Mei, an Independent Third Party, is a Hong Kong permanent resident who was interested in investing in the business of Saite Steel (Jiangsu) and was introduced to Mr. Tong by Mr. Tong's personal friend. She acquired 10% of the then total issued shares in Keen Luck from Mr. Tong in 2011 and became acquainted with Mr. Jiang during the acquisition.

4. The board of directors of Keen Luck comprised Mr. Jiang and Mr. Tong as at the Latest Practicable Date. According to the articles of association of Keen Luck, its directors shall be elected by resolutions of shareholders by a majority of in excess of 50% of the votes of the shares entitled to vote which were present at the meeting and were voted or in writing by a majority of in excess of 50% of the votes of the shares entitled to vote.

Set out below is the shareholding structure of our Group and our Shareholders after our Reorganisation and immediately prior to the Global Offering and the Capitalisation Issue:



Notes:

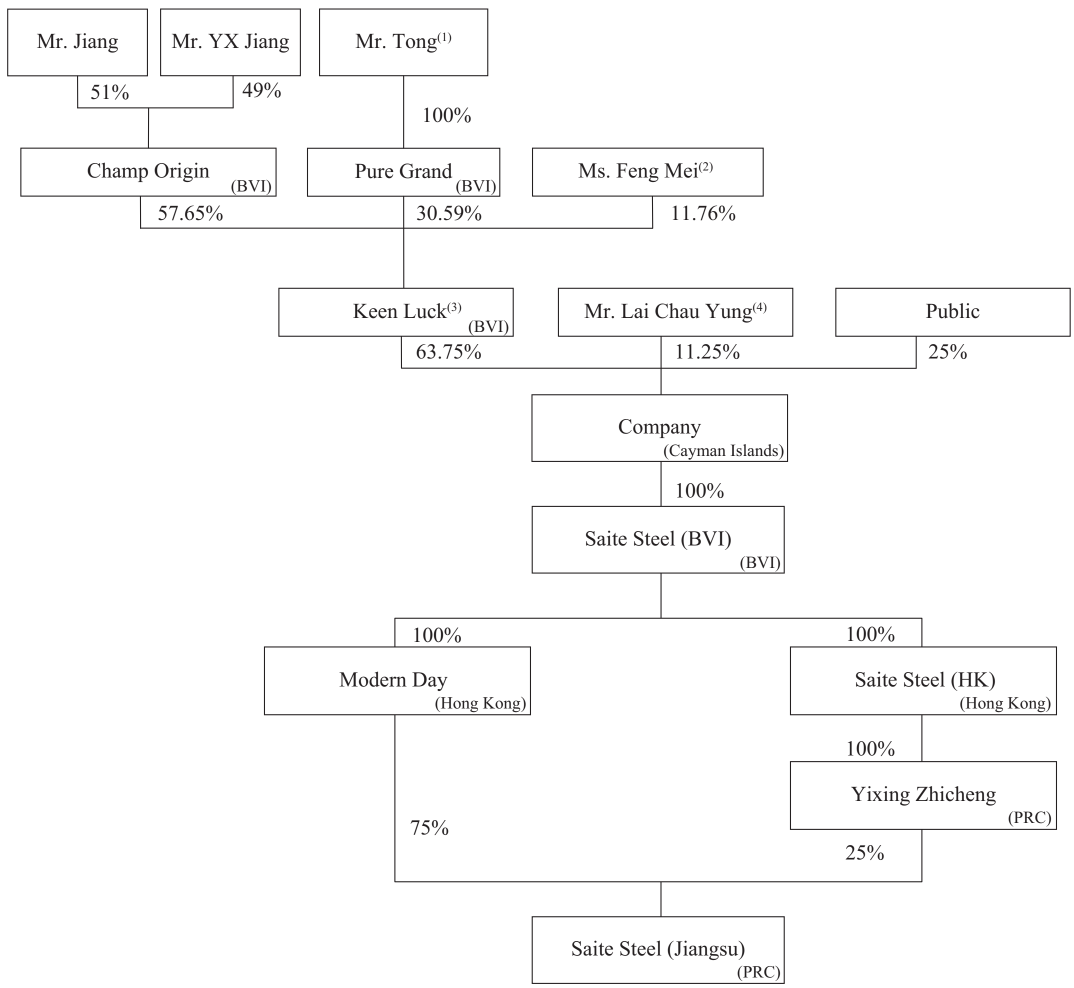
1. Mr. Tong, an Independent Third Party, is a Hong Kong permanent resident who was interested in investing in the business of Saite Steel (Jiangsu) and was introduced to Mr. Jiang by Mr. Jiang's personal friend when we were exploring the possibility of conducting a listing exercise in Singapore in 2007, which eventually did not proceed.

2. Ms. Feng Mei, an Independent Third Party, is a Hong Kong permanent resident who was interested in investing in the business of Saite Steel (Jiangsu) and was introduced to Mr. Tong by Mr. Tong's personal friend. She acquired 10% of the then total issued shares in Keen Luck from Mr. Tong in 2011 and became acquainted with Mr. Jiang during the acquisition.

3. The board of directors of Keen Luck comprised Mr. Jiang and Mr. Tong as at the Latest Practicable Date. According to the articles of association of Keen Luck, its directors shall be elected by resolutions of shareholders by a majority of in excess of 50% of the votes of the shares entitled to vote which were present at the meeting and were voted or in writing by a majority of in excess of 50% of the votes of the shares entitled to vote.

4. Mr. Lai Chau Yung, a Substantial Shareholder, is a Hong Kong permanent resident who was interested in investing in the business of Saite Steel (Jiangsu) and was introduced to Mr. Tong by Mr. Tong's personal friend. He acquired 15% of the then total issued shares in Keen Luck from Mr. Tong in 2011 and became acquainted with Mr. Jiang during the acquisition. Mr. Lai Chau Yung became our Substantial Shareholder in June 2013.

Set out below is the shareholding structure of our Group and our Shareholders following completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and that no Shares have been issued pursuant to the exercise of any option which may be granted under the Share Option Scheme):



Notes:

1. Mr. Tong, an Independent Third Party, is a Hong Kong permanent resident who was interested in investing in the business of Saite Steel (Jiangsu) and was introduced to Mr. Jiang by Mr. Jiang's personal friend when we were exploring the possibility of conducting a listing exercise in Singapore in 2007, which eventually did not proceed.

2. Ms. Feng Mei, an Independent Third Party, is a Hong Kong permanent resident who was interested in investing in the business of Saite Steel (Jiangsu) and was introduced to Mr. Tong by Mr. Tong's personal friend. She acquired 10% of the then total issued shares in Keen Luck from Mr. Tong in 2011 and became acquainted with Mr. Jiang during the acquisition.

3. The board of directors of Keen Luck comprised Mr. Jiang and Mr. Tong as at the Latest Practicable Date. According to the articles of association of Keen Luck, its directors shall be elected by resolutions of shareholders by a majority of in excess of 50% of the votes of the shares entitled to vote which were present at the meeting and were voted or in writing by a majority of in excess of 50% of the votes of the shares entitled to vote.

4. Mr. Lai Chau Yung, a Substantial Shareholder, is a Hong Kong permanent resident who was interested in investing in the business of Saite Steel (Jiangsu) and was introduced to Mr. Tong by Mr. Tong's personal friend. He acquired 15% of the then total issued shares in Keen Luck from Mr. Tong in 2011 and became acquainted with Mr. Jiang during the acquisition. Mr. Lai Chau Yung became our Substantial Shareholder in June 2013.

OVERVIEW

We are an integrated steel structure and prefabricated construction solution service provider headquartered in Yixing, Jiangsu Province, the PRC, with an operation history of approximately 15 years. Our integrated construction solution services are customised to meet the technical specifications and requirements of different projects, and span from fabrication and assembly of steel structure parts and prefabricated construction materials at our workshops to the installation of these materials onsite, based on the secondary design (as to our steel structure projects) provided by us or our customers.

According to the Ipsos Report, in Jiangsu Province, we were the third largest steel structure construction service provider, and the second largest prefabricated construction service provider, in terms of revenue in 2012.

Steel structure projects

According to the Ipsos Report, steel structure construction in the PRC had a production value of approximately RMB298.2 billion accounting for approximately 2.2% of the country's total construction output value in 2012. Steel structure construction generally refers to the building of the structural supporting elements comprising steel columns, girders and beams of a construction. Given its architectural importance as a supporting framework, our Directors consider that steel structure projects, particularly for highly tailor-made public service structures such as bridges and train stations, usually require strong engineering and technical knowhow in terms of precise execution.

There are about 70 enterprises awarded with Grade One Steel Structure Engineering Professional Contractor in Jiangsu Province and we are one of them. Grade One Steel Structure Engineering Professional Contractor, the highest national qualification in this aspect, was awarded by the Ministry of Housing to us in November 2005, which enables us to undertake all kinds of steel structure projects without limitation in span, contract sum, construction area or total weight of construction in the PRC. We also obtained the Class B Construction Design Qualification from the Jiangsu Department of Housing in January 2010, which qualifies us to undertake design works of light steel structures in the PRC. As advised by our PRC Legal Advisers, the term for our Class B Construction Design Qualification is five years and will expire and need to be renewed on 4 January 2015. Where an enterprise, among others, has observed the relevant laws, regulations, rules and technical standards, without any adverse record in its credit profile, and meets certain standards in relation to the amount of registered capital and qualification of specialised technical personnel, the term would be extended for five years upon approval of the relevant authorities which, for Saite Steel (Jiangsu), as advised by our PRC Legal Advisers, shall be the Jiangsu Department of Housing. According to relevant laws and regulations of the PRC, such as 建設工程勘察設計資質管理規定 (Regulations on the Management of the Survey and Design Qualifications of Construction Engineering) and its implementation rules, there is no legal impediment for us to apply for renewing the Class B Construction Design Qualification within 60 days prior to the expiration of such qualification.

In contrast, there is no expiry date to the qualification of Grade One Steel Structure Engineering Professional Contractor. As we have passed the annual inspection every year since we obtained the qualification of Grade One Steel Structure Engineering Professional Contractor, our Directors do not expect any impediment for Saite Steel (Jiangsu) to pass the annual inspection conducted by competent construction department in the future in accordance with the relevant laws and regulations of the PRC on the qualification of construction enterprises.

During the Track Record Period, most of our steel structure projects were concentrated in Jiangsu Province and Shanghai. We completed 99 steel structure projects (including one project in which we provided both steel structure and prefabricated construction services) during the Track Record Period with contract value ranging from approximately RMB0.4 million to RMB180.0 million. We have participated in a wide range of steel structure projects of, among others, bridges, train stations, stadiums, exhibition centres and factory premises. From such business segment, we have generated approximately RMB406.9 million, RMB518.0 million, RMB812.6 million and RMB549.7 million accounting for 100.0%, approximately 80.1%, 77.5% and 67.4% of our Group's total revenue for each of the three years ended 31 December 2012 and the six months ended 30 June 2013, respectively.

Steel structure industry in the PRC is fragmented, with close to 10,300 players in 2012. According to the Ipsos Report, the top five steel structure construction service providers in the PRC accounted for less than 10% of the total market share in terms of revenue in the PRC in 2012, while the top five steel structure construction service providers in Jiangsu Province accounted for approximately 15% of the total market share in Jiangsu Province in terms of revenue in 2012. For steel structure projects, our market share in the PRC accounted for approximately 0.3% in 2012, while our market share in Jiangsu Province accounted for approximately 1.9% in 2012. There were approximately 2,000 enterprises operating in steel structure construction business in Jiangsu Province out of a total of close to 10,300 players in the PRC as a whole in 2012. According to the Ipsos Report, enterprises in steel structure construction industry in Shanghai, Zhejiang Province and Jiangsu Province have the most advanced technology among enterprises located in China.

Prefabricated construction projects

According to the Ipsos Report, prefabricated construction in the PRC had a production value of approximately RMB16.7 billion accounting for approximately 0.12% of the total construction output value in the PRC in 2012. Prefabricated construction is one of the more modern types of construction method which principally involves deploying a majority of structural components, such as columns, beams, trusses, wall panels and floor panels, which are pre-produced and standardised in factory for assembly at work site. It has a wide range of applications, including residential housing, commercial buildings, industrial buildings, factory premises and public facilities, etc.. By using the prefabricated construction method, the completion schedule for a construction could be shortened as compared to traditional construction method and given this advantage, there is an increasing trend of using such construction method.

As compared with other structural panels, precast concrete facade panels, which were utilised in our prefabricated construction projects, are more durable and with a higher insulation ability. In addition, precast concrete facade panels possess higher degree of shock absorbance and earthquake resistance. As a result of increasing safety concern after the Sichuan earthquake in 2008, our Directors believe that it would be a future trend to apply more precast concrete facade panels in construction projects in China.

To enable different structural components to be assembled smoothly and effectively, our Directors consider that the requirements for the specifications, precision and workmanship for producing the components are generally high. In view of the above, we have established a research centre with Southeast University in the PRC in 2011 to enhance our research and development capability particularly on prefabricated construction techniques.

We commenced to undertake prefabricated construction projects in late 2010 and started recognising revenue thereon in 2011. From this business segment, we have generated revenue of approximately RMB128.8 million, RMB235.5 million and RMB265.6 million, which accounting for approximately 19.9%, 22.5% and 32.6% of our Group's total revenue for each of the two years ended 31 December 2012 and the six months ended 30 June 2013, respectively. Our revenue for such segment increased by approximately 82.8% and 106.7%, from approximately RMB128.8 million for the year ended 31 December 2011 to approximately RMB235.5 million for the year ended 31 December 2012 and from approximately RMB128.5 million for the six months ended 30 June 2012 to approximately RMB265.6 million for the six months ended 30 June 2013, respectively.

During the Track Record Period, we were engaged to provide prefabricated construction services for 宜興氿北花園一期 (Yixing Jiubei Garden Phase I) in November 2010, 宜興氿北花園二期 (Yixing Jiubei Garden Phase II) in March 2012, 宜興氿北花園三期 (Yixing Jiubei Garden Phase III) in August 2012, 紅星花園住宅 (Hongxing Residential Garden) in November 2012, 宜興高塍西城花園 (Yixing Gaocheng Xicheng Garden), 宜興高塍尚佳花園 (Yixing Gaocheng Shangjia Garden) and 宜興高塍尚水花園 (Yixing Gaocheng Shangshui Garden) in February 2013, all of them are social security housing projects, and altogether comprised a total of 198 blocks of buildings. As at the Latest Practicable Date, the construction of 宜興氿北花園一期 (Yixing Jiubei Garden Phase I) and 宜興氿北花園二期 (Yixing Jiubei Garden Phase II) had been completed, and 宜興氿北花園三期 (Yixing Jiubei Garden Phase III), 紅星花園住宅 (Hongxing Residential Garden), 宜興高塍西城花園 (Yixing Gaocheng Xicheng Garden), 宜興高塍尚佳花園 (Yixing Gaocheng Shangjia Garden) and 宜興高塍尚水花園 (Yixing Gaocheng Shangshui Garden) was still on-going.

The competition in prefabricated construction industry in the PRC is not fierce, as it is still at its early stage of development in the PRC. According to the Ipsos Report, there were approximately 100 and 4 enterprises in the prefabricated construction industry in the PRC and Jiangsu Province in 2012, respectively. As there are limited market players in the prefabricated construction market, especially in Jiangsu Province, most of our prefabricated construction projects were engaged through direct referral, and bidding process is not required. Our market share for prefabricated construction projects in the PRC and Jiangsu Province in 2012 accounted for approximately 1.4% and 29.9%, respectively.

Comparison between our steel structure projects and prefabricated construction projects

	Steel structure projects	Prefabricated construction projects
Necessary expertise and qualification	We possess the qualification of Grade One Steel Structure Engineering Professional Contractor and can undertake both types of project	
Customers	Property owners, main contractors and subcontractors of construction projects	
Payment terms	Progress payments are typically made by stages based on either achieving the milestone events stipulated in our contracts or the actual progress of our work	
Contract period	Typically within six to nine months	Typically longer than one year for projects related to social security housing; less than one year for projects other than those related to social security housing (including projects of exhibition centres and shopping mall)
Contract bidding	Customers would invite several contractors to submit quotation documents for their determination as to the awarding of contract	As the competitors in the market, especially in Jiangsu Province, are limited to a few enterprises, most projects are engaged through direct referral and bidding process is not required
Gross profit margin	Our total gross profit margin of our prefabricated construction projects were approximately 9 to 15 percentage points higher than our steel structure projects during the Track Record Period	
Principal raw materials	Steel plates and colour-coated steel coil	Reinforcing bars, heat insulated materials and concrete
Suppliers	Suppliers of steel plates and colour-coated steel coil	Suppliers of reinforcing bars, heat insulated materials and concrete
Cost structure	Raw material cost and installation cost accounted for approximately 62% to 67% and 24% to 31%, respectively, of the total actual cost for steel structure projects during the Track Record Period	Raw material cost and installation cost accounted for approximately 52% to 55% and 37% to 40%, respectively, of the total actual cost for prefabricated construction projects during the Track Record Period

The table below sets out our participation in some completed projects during the Track Record Period, where our Directors considered the contract value is significant:

Completed projects

Project	Type of project	Contract value *(note)*	Revenue recognised *(note)*	Contract period	Our participation
Public structure projects					
寧波穿山至好思房公路工程第5合同段 (The Fifth Section of the Highway from Chuanshan to Haosifang in Ningbo)	Steel structure project	Approximately RMB74.5 million	Approximately RMB68.6 million	26 April 2010 – 8 November 2010	Fabrication and installation of steel box girders of a bridge
宜興氿北花園一期 (Yixing Jiubei Garden Phase I)	Prefabricated construction project	Approximately RMB125.2 million	Approximately RMB112.4 million	10 November 2010 – 10 March 2012	Fabrication and installation of steel structures and certain heat insulated materials in residential buildings
宜興氿北花園二期 (Yixing Jiubei Garden Phase II)	Prefabricated construction project	RMB170.0 million	Approximately RMB152.7 million	15 April 2012 – 30 April 2013	Fabrication and installation of steel structures and certain heat insulated materials in residential buildings

Project	Type of project	Contract value *(note)*	Revenue recognised *(note)*	Contract period	Our participation
Non-public structure projects					
泰州三福船舶工程有限公司下料車間鋼結構工程 (Taizhou Sanfu Marine Engineering Co., Limited Cutting Workshop Steel Structure Project)	Steel structure project	Approximately RMB42.9 million	Approximately RMB38.2 million	200 days from the date of signing the contract	Fabrication and installation of certain parts of the steel structures of a workshop of a shipyard
全鋼載重子午線輪胎生產車間輕鋼結構廠房 (All Steel Radial Tire Manufacturing Workshop Light Steel Structure Factory)	Steel structure project	Approximately RMB40.9 million	Approximately RMB36.1 million	150 days from the date of signing the contract	Fabrication and installation of steel structures of workshops of a tire manufacturing factory located in Anhui Province
香港亞洲第一製藥新沂醫藥工業園 (Hong Kong Asia First Pharmacy Xinyi Medical Industrial Park)	Steel structure project	RMB180.0 million	Approximately RMB160.4 million	8 April 2012 – 22 July 2012	Fabrication and installation of steel structures of workshops in an industrial park located in the PRC

Note: The difference between the contract value and revenue recognised for each project represents the applicable value added tax of each project.

The table below sets out our participation in two projects in progress as at the Latest Practicable Date, where our Directors considered the contract value is significant:

Projects in progress

Project	Type of project	Contract value	Percentage of completion and revenue recognised up to 31 August 2013	Contract period	Our participation
Public structure projects					
宜興氿北花園三期 (Yixing Jiubei Garden Phase III)	Prefabricated construction project	RMB136.0 million	Approximately 84.2%; Approximately RMB102.9 million	5 August 2012 – 10 November 2013	Fabrication and installation of steel structures and certain heat insulated materials in residential buildings
紅星花園住宅 (Hongxing Residential Garden)	Prefabricated construction project	RMB210.6 million	Approximately 49.0%; Approximately RMB92.7 million	10 December 2012 – 10 June 2014	Fabrication and installation of steel structures and certain heat insulated materials in residential buildings

The table below sets out our participation in some completed public structure projects which we consider representative or were granted with awards as at the Latest Practicable Date:

Project	Type of project	Contract value	Contract period	Our participation
哈爾濱國際會展體育中心1號工程鋼網架製作安裝工程 (Harbin International Conference Exhibition and Sports Centre, No. 1 Construction Project on Construction and Installation of Steel Grid)	Steel structure project	Approximately RMB4.2 million	1 September 2002 – 20 September 2002	Fabrication and installation of part of the steel grid structure of a sports centre
南京體育學院仙林分校自行車賽場鋼膜結構工程 (Nanjing Institute of Physical Education Xianlin College Bicycle Stadium Steel Membrane Structure Project)	Steel structure project	Approximately RMB13.5 million	5 March 2005 – 15 June 2005	Fabrication and installation of steel structures of a bicycle stadium
上海體育學院田徑館鋼結構工程 (Shanghai University of Sport Athletic Training Centre Steel Structure Project)	Steel structure project	Approximately RMB5.3 million	23 February 2008 – 10 June 2008	Fabrication and installation of steel structures and colour steel plates of an athletic training centre

Project	Type of project	Contract value	Contract period	Our participation
廣州番禺區體育公園第一期膜結構工程(鋼結構管桁架部分) (Guangzhou Panyu Sports Park Membrane Structure Project Phase I (Steel Structure Pipe Truss Section))	Steel structure project	Approximately RMB3.7 million	23 August 2007 – 19 October 2007	Fabrication and installation of the steel structures of pipe truss structures of a stadium in a park
上海世博會尼泊爾館鋼結構工程 (Shanghai Expo Nepal Pavilion Steel Structure Project)	Steel structure project	Approximately RMB2.2 million	10 October 2009 – 20 December 2009	Fabrication and installation of steel structures in a pavilion

Details on the description of the above projects are set out in the paragraph headed "Our projects" below.

We recognise our revenue using the percentage of completion method, measured by reference to the value of work performed during the year or period. The table below sets out our revenue breakdown by major types of construction contract during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*unaudited*)	*%*	*RMB'000*	*%*
Construction of										
– steel structure projects	406,904	100.0	518,029	80.1	812,614	77.5	544,929	80.9	549,650	67.4
– prefabricated construction projects*(Note)*	–	–	128,789	19.9	235,464	22.5	128,471	19.1	265,631	32.6
Total	406,904	100.0	646,818	100.0	1,048,078	100.0	673,400	100.0	815,281	100.0

Note: We commenced undertaking prefabricated construction projects in late 2010.

The table below sets out the number of our opening number of projects, newly awarded projects, projects in execution and completed projects during the Track Record Period, and the number of our projects in progress and uncommenced projects as at each of 31 December 2010, 2011 and 2012 and 30 June 2013:

	Year ended 31 December			Six months ended 30 June
	2010	**2011**	**2012**	**2013**
Opening number of projects[(1)]	3	10	6	9
Number of newly awarded projects[(2)]	40	31	28[(7)]	16
Number of projects in execution[(3)]	34	40	33	25
Number of completed projects[(4)]	33	35	25	12
Number of projects in progress at period end[(5)]	1	5	8	13
Number of uncommenced projects at period end[(6)]	9	1	1	–

Notes:

(1) Opening number of projects refers to the projects in execution during the relevant year or period indicated which were either (i) projects in progress as at the end of the previous year or period indicated; or (ii) projects awarded to us during the previous year or period but only commenced construction in the relevant year or period indicated.

(2) Newly awarded projects refer to projects which were awarded to us during the relevant year or period indicated.

(3) Projects in execution refers to projects for which construction work was carried out during the relevant year or period indicated.

(4) Completed projects refer to projects for which 100% of their revenue has been recognised for accounting purpose as completion certificate for the entire construction services undertaken by our Group has been obtained during the relevant year or period indicated, but not prior to the beginning of such periods.

(5) Projects in progress at period end refer to projects for which our work has commenced but has not been completed and completion certificate for the entire construction services undertaken by our Group has not been obtained as at the end of the relevant year or period. The portion of revenue for projects in progress which has not been recognised is deemed as part of our backlog.

(6) Uncommenced projects at period end refer to the projects which were awarded to us but our work has not commenced as at the end of the relevant year or period. The net value of contract (excluding the applicable value added tax) for such projects were deemed as part of our backlog.

(7) In one completed project for the year ended 31 December 2012, we provided both steel structure and prefabricated construction services.

The table below sets out our recognised revenue and net value of our new contracts during the Track Record Period, and value of our backlog as at each of 31 December 2010, 2011 and 2012 and 30 June 2013:

	Year ended 31 December			Six months ended
	2010	**2011**	**2012**	**30 June 2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Opening value of backlog	30,279	280,802	61,111	467,709
Net value of new contracts[(1)]	657,427	427,127	1,454,676	1,101,076
Revenue recognition[(2)]	(406,904)	(646,818)	(1,048,078)	(815,281)
Closing value of backlog[(3)]	280,802	61,111	467,709	753,504

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Value of backlog	280,802[(4)]	61,111[(5)]	467,709[(6)]	753,504[(7)]
– ***Steel structure projects***				
Number of projects	9	5	6	8
Value of backlog *(RMB'000)*	168,356	49,866	123,669	293,681
Contract completion period	March 2011 to June 2011	January 2012 to June 2012	October 2012 to July 2013[(8)]	July 2013 to June 2014
– ***Prefabricated construction projects***				
Number of projects	1	1	3	5
Value of backlog *(RMB'000)*	112,446	11,245	344,040	459,823
Contract completion period	March 2012	March 2012	April 2013 to June 2014	April 2013 to June 2014

Notes:

(1) Net value of new contracts refers to the aggregate value of our new projects (excluding the applicable value added tax) which were awarded to us during the relevant year or period indicated.

(2) Recognised revenue refers to the portion of the total estimated revenue that has been recognised in the relevant year or period indicated.

(3) Closing value of backlog refers to the portion of the total estimated revenue that has not been recognised with respect to projects that have not been 100% completed as at the end of the relevant year or period indicated.

(4) All of the three projects with backlog as at 31 December 2009 were completed in the year ended 31 December 2010. Out of the 40 newly awarded projects for the year ended 31 December 2010, 30 projects were completed in the same year, one project was in progress as at 31 December 2010 (of which portion not recognised as revenue was included in the backlog) and nine projects commenced construction in the year ended 31 December 2011 (of which total estimated revenue was included as backlog).

(5) Among the 10 projects with backlog as at 31 December 2010, nine projects were completed in the year ended 31 December 2011 and one project was in progress as at 31 December 2011 (of which portion not recognised as revenue was included in the backlog). Out of the 31 newly awarded projects for the year ended 31 December 2011, 26 projects were completed in the same year, four projects were in progress as at 31 December 2011 (of which portion not recognised as revenue was included in the backlog) and one project commenced construction in the year ended 31 December 2012 (of which total estimated revenue was included as backlog).

(6) All of the six projects with backlog as at 31 December 2011 were completed in the year ended 31 December 2012. Among the 28 newly awarded projects for the year ended 31 December 2012, 19 projects were completed in the same year, eight projects were in progress as at 31 December 2012 and one project commenced construction in January 2013 and was completed during the six months ended 30 June 2013. Out of the nine projects in progress or yet to commence construction as at 31 December 2012, four projects, representing approximately 28.0% of the net value of our new contracts in 2012, were entered into in late 2012 and were at their initial stage of construction with percentage of completion equal or less than 20%.

(7) Among the nine projects with backlog as at 31 December 2012, seven projects were completed during the six months ended 30 June 2013 and the remaining two projects were in progress as at 30 June 2013 (of which portion not recognised as revenue was included in the backlog). Out of the 16 newly awarded projects for the six months ended 30 June 2013, five projects were completed in the same period and 11 projects in progress as at 30 June 2013 (of which portion not recognised as revenue was included in the backlog).

(8) 鄂爾多斯海明堡直升機產業園 (Ordos Hummingbird Helicopter Production Plant) was scheduled to be completed in October 2012 according to its contract. Due to unfavourable weather condition, the project was temporarily suspended in October 2012 and resumed in April 2013.

OUR COMPETITIVE STRENGTHS

We believe that we have the following competitive strengths:

We are one of the largest steel structure construction service providers in Jiangsu Province. We have a solid reputation supported by strong track record as a steel structure construction service provider with rapid growth and successful completion of multiple projects

We were the third largest steel structure construction service provider in Jiangsu Province in terms of revenue in 2012 according to the Ipsos Report. During the Track Record Period, we had completed 99 steel structure projects (including one project in which we provided both steel structure and prefabricated construction services), amounting to an aggregate contract value of approximately RMB2,275.7 million.

Our professional and quality services as an integrated construction solution service provider in steel structure projects has been recognised, among others, we were accredited as 江蘇省建築鋼結構十強企業 (Top 10 Enterprises in Steel Structure Construction of Jiangsu Province) in 2007 and 宜興市建築業優秀企業 (Yixing Construction Industry Outstanding Enterprise) in 2007, 2010 and 2011. We had been awarded with 紫金杯獎 (Purple Gold Cup) for the project of 上海世博會尼泊爾館鋼結構工程(製作、安裝) (Shanghai Expo Nepal Pavilion Steel Structure Project (fabrication, installation)), 馬鞍山市采東橋工程 (Ma An Shan City Caidong Bridge) and 南京仙林自行車賽場鋼膜結構工程 (Nanjing Xianlin Bicycle Stadium Steel Membrane Structure Project). Further details of the awards granted to us and our projects were set out in the paragraphs headed "Award and accreditations" and "Our projects" below.

We believe our market leadership, comprehensive services, proven track record and solid reputation in the PRC's steel structure industry have well positioned our Group to capture new opportunities arising from the steel structure and prefabricated construction market and will continue to serve as a platform to strengthen our existing market and help us expand into new markets.

We are one of the largest prefabricated construction service providers in Jiangsu Province. We are well prepared and positioned to capture new opportunities in the growing PRC prefabricated construction industry

We were the second largest prefabricated construction service provider in Jiangsu Province in terms of revenue in 2012 according to the Ipsos Report.

We own the exclusive rights to use patents in relation to the production of 大型單元裝配式夾芯裝飾板 (Large unit assembled sandwich decoration board), 預製組裝式保溫牆體 (Prefabricated assembly type heat insulated wall) and 柱、樑、牆一體預製內保溫牆體 (Integrated prefabricating thermal insulation wall by pillar, girder and wall), which we have been using for the construction in our prefabricated construction projects of social security housing. Furthermore, we have been cooperating with Southeast University in the PRC in respect of the research and development of steel structures and prefabricated construction techniques.

We have been engaging in prefabricated construction projects since late 2010 and up to 30 June 2013, we have been awarded 12 projects (including one project where we provided both steel structure and prefabricated construction services) with an aggregate contract value of approximately RMB1,213.1 million. As at the Latest Practicable Date, we had five prefabricated construction projects which were in progress. We have been engaged by the government repeatedly to undertake the prefabricated construction projects including 宜興氿北花園一期 (Yixing Jiubei Garden Phase I) in November 2010, 宜興氿北花園二期 (Yixing Jiubei Garden Phase II) in March 2012, 宜興氿北花園三期 (Yixing Jiubei Garden Phase III) in August 2012, 紅星花園住宅 (Hongxing Residential Garden) in November 2012, 宜興高塍西城花園 (Yixing Gaocheng Xicheng Garden), 宜興高塍尚佳花園 (Yixing Gaocheng Shangjia Garden) and 宜興高塍尚水花園 (Yixing Gaocheng Shangshui Garden) in February 2013, altogether comprised 198 blocks of buildings.

With our experience in participation in prefabricated construction projects and our dedication in improving the functionality, quality and design of prefabricated construction materials, we believe that we are well prepared and positioned to capture the business opportunities in prefabricated construction industry in the PRC.

We have diversified into the prefabricated construction industry. Our broad scope of services offered and proven project management abilities allow us to compete for a wide range of projects

We have a proven track record in completing a wide range of projects including (i) steel structure projects of, among others, bridges, train stations, stadiums, exhibition centres and factory premises; and (ii) prefabricated construction projects of, among others, residential buildings (including social security housing), factory and shopping mall. Some of the projects which we have completed, such as 寧波穿山至好思房公路工程第5合同段 (The Fifth Section of the Highway from Chuanshan to Haosifang in Ningbo), contain structures which require high level of technical sophistication and project management skills in order to complete such projects on schedule while maintaining high quality standards. Details of our participation in various projects are set out in the paragraph headed "Our projects" below.

We have obtained (i) the qualification of Grade One Steel Structure Engineering Professional Contractor, the highest national qualification in this aspect, which enables us to undertake all kinds of steel structure projects without limitation in span, contract sum, construction area or total weight of construction; and (ii) Class B Construction Design Qualification, which enables us to undertake design works of light steel structures in the PRC.

With our extensive experience in implementing various projects, project management expertise and qualifications, we can offer our customers with services including providing secondary design on steel structures, fabrication and assembly of steel structures and prefabricated construction materials, installation, and after-sales services, tailored to our customers' specific requirements. This offers a significant advantage for us in competing for construction services contracts.

We have an experienced and dedicated management team with strategic vision

Our senior management team and key technical personnel have extensive management skills, operating experience and industry expertise. Each of Mr. Jiang, our founder, chairman and executive Director, and Mr. Shao Xiaoqiang, our chief executive officer and executive Director, has over 15 years of experience in our industry and have been with us since 1999. Mr. Jiang is a practising Grade One Constructor registered with the Ministry of Housing and Mr. Shao Xiaoqiang is qualified as an engineer (specialising in steel structures) by 中國建築工程總公司 (China State Construction Engineering Corporation).

We believe that the combination of our management's strategic vision and technical teams' collective experience and knowledge of the steel structure industry and prefabricated construction industry will continue to be a solid foundation to our success.

OUR BUSINESS STRATEGIES

We aim to strengthen our market position in the PRC through the business strategies described below. We intend to fund each of these strategies with cash generated from our operations, the net proceeds from the Global Offering and, when necessary, bank borrowings.

Further increase our market share in the prefabricated construction industry in the high-growth urban areas in and around Jiangsu Province

As the application of prefabricated construction techniques are relatively new in the PRC construction industry and our Directors believe that the potential growth for prefabricated construction is considerable, we plan to increase our market share for prefabricated construction projects through actively promoting our services in the nearby urbanised locations, such as Shanghai, Nanjing and Wuxi of Jiangsu Province.

We have commenced the provision of prefabricated construction services since late 2010. For the year ended 31 December 2012 and the six months ended 30 June 2013, approximately 22.5% and 32.6% of our revenue was derived from prefabricated construction projects, respectively. During the Track Record Period, we engaged in the prefabricated construction projects of 宜興氿北花園一期 (Yixing Jiubei Garden Phase I) in November 2010, 宜興氿北花園二期 (Yixing Jiubei Garden Phase II) in March 2012, 宜興氿北花園三期 (Yixing Jiubei Garden Phase III) in August 2012, 紅星花園住宅 (Hongxing Residential Garden) in November 2012, 宜興高塍西城花園 (Yixing Gaocheng Xicheng Garden), 宜興高塍尚佳花園 (Yixing Gaocheng Shangjia Garden) and 宜興高塍尚水花園 (Yixing Gaocheng Shangshui Garden) in February 2013, all of which are social security housing. With our experience in the prefabricated construction industry and cooperation with Southeast University in the development of prefabricated construction techniques, our Directors believe that we can secure more social security housing construction projects in the future.

We plan to further strengthen our research and development capabilities in prefabricated construction projects through our cooperation with universities and research and development institutes, to tap into their research and development capabilities and knowhow and the recruitment of more experienced staff, in particular those with relevant experience in the construction industry, and thereby further strengthening our ability in executing prefabricated construction projects.

Further increase our market share in the steel structure construction industry both in our existing and new markets in the PRC

Our customer base is mainly concentrated in Jiangsu Province and Shanghai, the PRC. With our strong market foothold and solid business track record in these regions, we intend to further tap into the business opportunities generated from the fast-growing steel structure construction market and to further expand our market share in various parts of the PRC with business potentials.

According to the Ipsos Report, government favourable policies to support environmental protection and the development of the steel structure construction industry drove the growth in the production volume of steel structure construction industry in China. In particular, according to the "Twelfth Five-Year Plan for the Development of Steel Structure Construction Industry" (建築鋼結構行業發展"十二五"規劃), steel structure buildings have been listed as key projects to be promoted by the Ministry of Housing in the future, due to its environmental friendly features. As compared to other types of construction structure such as reinforced concrete structure, steel structure is of higher strength-to-weight ratio and durability, lighter in terms of weight, more flexible in design, higher shock resistance, shorter construction lead time, less polluted and recyclable. Our Directors believe that with the increasing number of construction projects in the PRC, the growing acceptance of environmental friendly construction methods and materials and the more stringent environmental protection requirements, there would be a growing demand for steel structures which would lead to an increase in the demand for steel structure construction services that we provide.

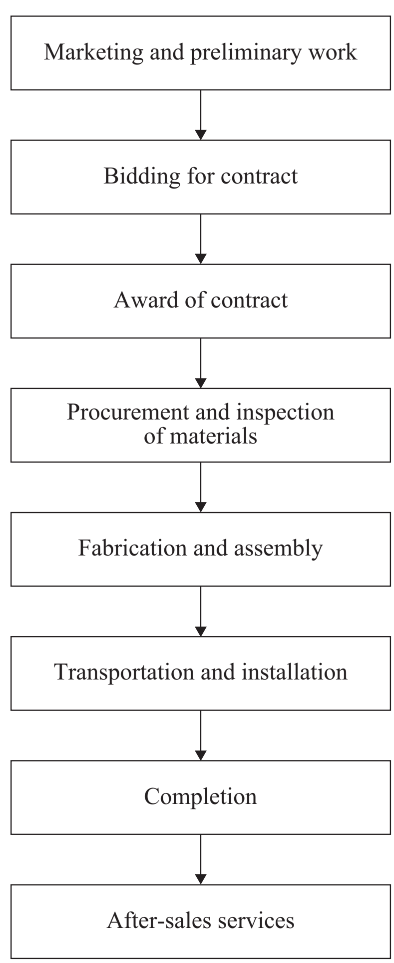
We intend to undertake more projects in Shanghai and plan to increase our market share in the nearby urbanised locations such as Wuxi and Nanjing in Jiangsu Province by establishing additional sales offices and hiring additional sales representatives to promote our business in these areas. According to the Ipsos Report, Jiangsu Province ranked the second in the PRC in terms of its fixed asset investment value in urban area in 2011 and it has strong capability in traditional shipbuilding and heavy machinery manufacturing technology from its long-term commitment in cooperation with foreign business. We also plan to expand our business into second and third tier cities of the PRC including Jining in Shandong Province, Zunyi in Guizhou Province and Wuhan in Hubei Province by establishing additional sales offices and hiring additional sales representatives. According to the Ipsos Report, Shandong Province is a key economic region of the PRC with its GDP ranked the third in the PRC in 2012. Our Directors consider that these locations offer ample business opportunities for our Group.

Further expand our workshops to support our growth

During the Track Record Period, most of the steel structure parts and prefabricated construction materials for our projects were manufactured in-house at our workshops. We also purchased processed parts and materials from our suppliers which were Independent Third Parties. For the year ended 31 December 2012, the average utilisation rate of our workshops for the production of steel structure parts and prefabricated construction materials was approximately 94.1% and 67.2% respectively. With the anticipated growing demand for our services and our plan to expand our market penetration by undertaking more steel structure and prefabricated construction projects in the PRC, we intend to expand our production capacity for both steel structure parts and prefabricated construction materials in the next two years. To enhance the production capacity of steel structure parts, we plan to expand our existing workshops by approximately 2,300 sq.m. and purchase necessary production equipment and machineries, such as ballasting rust removers and digital controlled material cutting machines. We also plan to acquire other steel structure construction businesses or entities within the PRC to facilitate the production and transportation of steel structure parts. To enhance the production capacity of prefabricated construction materials, we plan to expand our workshop of prefabricated construction materials by acquiring necessary production equipment and machineries such as steel banding and welding equipments, cement pouring and tamping equipment.

OUR PROJECT WORKFLOW

We provide integrated steel structure and prefabricated construction solutions to our customers, who are generally property owners, main contractors or subcontractors of construction projects. We provide integrated steel structure and prefabricated construction services that are customised to meet the technical specifications and requirements of the projects, spanning from providing secondary design on steel structures to fabrication and assembly of steel structure parts and prefabricated construction materials and installation. For steel structure projects, we provide our services on project basis through bidding and our contracting services are required to be tailored to meet with the specific requirements of our customers. For prefabricated construction projects, as the competitors in the market, especially in Jiangsu Province, are limited to a few enterprises, most projects are engaged through direct referral and a bidding process is not required. We have established a project management system covering the entire process of our projects. For steel structure projects, our contracts with customers typically require us to complete our projects within six to nine months. For prefabricated construction projects, the contract period of our contracts are typically longer than one year for projects related to social security housing, and less than one year for projects other than those related to social security housing (including projects of exhibition centres and shopping mall) The key steps of our project workflow for both steel structure projects and prefabricated construction projects are generally as follows:



Marketing and preliminary work

We source potential projects primarily through our sales and marketing team which maintains regular contacts with industry players such as design houses and research institutions so as to obtain the latest market information and track new potential projects.

We introduce our services, technologies and qualifications to our potential customers and arrange site visits for them to our workshops, work sites of our completed projects and projects in progress.

Bidding for contract

For steel structure projects, we usually provide our services through bidding. For prefabricated construction projects, as the competitors in the market, including Jiangsu Province, were limited to a few enterprises, most projects are engaged through direct referral and a bidding process for prefabricated construction project was not required during the Track Record Period.

Before a contract is awarded to us, it requires the efforts from members of our different teams, which involves works such as negotiating contract terms, studying the technical specifications required by the potential project, determining the construction plan by taking into account the circumstances of the relevant project, including among others, design of the project and materials required, estimating the time required for completion of the project and reviewing the overall performance of the project.

In deciding whether to participate in a project, we would consider factors such as the feasibility and profitability of the project, the reputation of the potential customer and whether the project has obtained the necessary approvals. In respect of determination of our price quotation for a project, we take into account factors including the profile and prestige of the project, the payment schedule, duration of the project and cost and resources required to complete the project. We would also carry out certain procedures which may include conducting background search on the project through the Internet and industry information available to us and performing site visits to potential customers, for our assessment. We submit bids or indicate interest only for projects that have passed our risk evaluation.

Award of contract

For steel structure projects, upon submission of requisite documents to our potential customers for bidding, including our corporate information to demonstrate that we possess the necessary qualifications, our potential customers will start the reviewing process to determine which company the contract should be awarded to according to their review results. For both steel structure projects and prefabricated construction projects, we usually have discussions with our potential customer before a project is awarded to us, to clarify and confirm details of the proposal in terms of both technical and commercial aspects.

After a project is awarded to us, we will usually form a project management team consisting of a project manager, a technical staff, a safety staff and a quality control staff. As the responsible person for the project, the project manager manages the project pursuant to the construction plan and the customer's requirements.

Procurement and inspection of materials

After signing of agreements with our customers, we begin procurement of materials, which principally include different kinds of steel materials, colour-coated steel coil, heat insulated materials and concrete. Depending on the progress of each of our projects, most of the major raw materials that we used, including different kinds of steel materials, are purchased at the early stage of our projects (i.e. generally during the first four months after we are awarded a contract). Major raw materials are stored in our warehouse in accordance with their respective project number. Regular checking is conducted to maintain up-to-date records.

We procure raw materials after we are successfully awarded a contract. According to the agreed design specifications, we estimate the amount of raw materials as required in that particular project and procure the relevant amount of raw materials. Therefore, we do not maintain a minimal inventory level. If there is any raw material left after completion of a project, we store such extra raw materials in our warehouse in accordance with their categories, which may be used in other projects.

We would collect industry information in relation to our raw materials for comparison of costs and evaluation. We usually invite three to five potential suppliers to provide their price quotations for our required steel materials. Upon receiving their price quotations and confirmation as to delivery time, we will then select the most appropriate supplier and enter into a supply agreement with it.

In selecting suppliers, we consider a variety of factors, including the suppliers' size of operation, product quality, after-sales services, reputation and prices quoted. Suppliers are responsible for the logistics arrangement and delivery of our required materials at our workshops. We conduct checks on the quality of the materials based on their output records provided to us, such as whether the materials satisfied the specifications and quantity required by us and we also evaluate our existing suppliers as and when required to ensure that the quality of the materials supplied continue to meet our quality control standards. During the Track Record Period, we had not encountered any shortage of supply of materials which impose material adverse impact on our operation.

Fabrication and assembly

We fabricate and assemble the steel structure parts and prefabricated construction materials required for the relevant projects at our workshops based on the secondary design on steel structures prepared by our customers or ourselves. Secondary design involves the conversion of architectural and structural design into more detailed specifications containing information such as the shape, quantity, weight of construction components to be used during construction which is easy to be understood by construction workers for factory manufacturing and onsite installation.

During the process of fabrication and assembly of the steel structure parts, certain procedures such as cutting of industrial materials, melting of metals, welding, flanges straightening and coating are involved. The key machineries and equipment used in our fabrication and assembly of steel structure parts include digital controlled material cutting machines, assembling-standing machines, submerged arc welding machines, gas protection welding machines, flange straightening machines, ballasting rust removers and high pressure airless sprayer.

During the process of production of the prefabricated construction materials, certain procedures such as cutting and bending of steel, welding, and cement pouring and tamping are involved. The key machineries and equipment used in our production of prefabricated construction materials include steel cutting machines, steel bending machines, steel banding and welding equipments, cement pouring and tamping equipment. In addition, we also utilise our licensed patents, namely 大型單元裝配式夾芯裝飾板 (Large unit assembled sandwich decoration board), 預製組裝式保溫牆體 (Prefabricated assembly type heat insulated wall) and 柱、樑、牆一體預製內保溫牆體 (Integrated prefabricating thermal insulation wall by pillar, girder and wall), and our patents for prefabricated construction techniques, namely 基於U形槽鋼的組合樑板結構 (U-shaped channel steel based composite beam plate structure) for our production for prefabricated construction materials.

Towards the end of the fabrication process of parts and materials in our workshops, technical inspection will be conducted on the quality of such steel structure parts by means of, among others, ultrasonic flaw examination, and an inspection report will be prepared. Our products are marked with their respective project number for identification.

During the Track Record Period, we manufactured most of the steel structure parts for our steel structure projects and prefabricated construction materials for our prefabricated construction projects at our workshops by our production staff. There were also occasions where we engaged temporary production teams which were Independent Third Parties to carry out the production of steel structure parts and prefabricated construction materials at our workshops when we were under a tight schedule. For the three years ended 31 December 2012 and the six months ended 30 June 2013, we incurred a total amount of approximately RMB7.0 million, RMB1.7 million, RMB7.0 million and RMB5.3 million, as fees paid to production teams.

Transportation and installation

The installation process at the work sites generally involves the fixing of the steel structure parts, prefabricated construction materials and other building materials to the building according to technical specifications. Apart from our own staff, we also engage third party installation teams with which we typically have a long history of cooperation to assist us with the installation work at the work sites. The work undertaken by the third party installation teams includes (i) transportation of the steel structure parts and prefabricated construction materials from our workshops to the work sites; (ii) preparation of the necessary equipment for the installation work required to be conducted at the work sites according to the implementation plan provided by us; (iii) lifting and moving the steel structure parts and prefabricated construction materials within the work sites as directed by our staff; and (iv) safe guarding the steel structure parts and prefabricated construction materials and tidying up the work site. Our staff would provide supervision to the third party installation teams to carry out their work at the work sites. After we have obtained a contract for a project, we invite one or more team(s) of installation workers to discuss the implementation plan and obtain their quotations of relevant fee. We will then select the most appropriate installation team for the project. The selected installation team will transport the assembled parts or materials to the work sites by vehicles pursuant to our logistics planning and project progress. In general, the installation teams purchase the insurance for the transportation of parts and materials from our workshops to the work site, whether the transportation is undertaken by the installation teams or third party logistics companies appointed by them.

During the process of installation, our project management team oversees the overall installation progress and leads our staff and the third party installation teams to complete the installation work on site. Our project management team, together with the representative(s) of our customers and/or any third party professional supervisor if appointed by our customers, would conduct checks on quality and safety of the project.

Completion

After installation, we would conduct self-inspection on our finished works. Our customers would also examine the quality of work performed, and would require us to rectify any defects identified prior to the issue of a completion certificate to us.

After-sales services

According to the 房屋建築工程質量保修辦法 (Measures for the Quality Warranty of House Construction Project) (the "**Measures**") promulgated by the Ministry of Housing in 2000, we are responsible for the repair of the quality defects that occur within the warranty period after completion of the projects. As defined in the Measures, quality defects refer to the quality of the construction projects that does not conform to the mandatory standards of engineering construction as well as the stipulations of relevant construction contracts. Quality defects caused by improper use, a third party or force majeure do not fall within the warranty scope.

The warranty periods vary with different parts of construction. According to the Measures, the warranty period for main structure projects is the reasonable service years provided in the design documents of such structures, while the warranty period for roof waterproof projects and anti-leakage of rooms and outer walls is five years. We generally refer to GB50068-2001 建築結構可靠度設計統一標準 (GB50068-2001 Unified standard for reliability design of building structures) promulgated by 中華人民共和國國家質量監督檢驗檢疫總局 (General Administration of Quality Supervision, Inspection and Quarantine of the PRC) and the Ministry of Housing in 2001 to determine the reasonable service years of the type of structure being constructed or installed. According to such unified standard, the reasonable service years is five years for temporary structure, 25 years for easily replaceable parts and 50 years for normal buildings and structures.

Within the warranty period, we are required to correct the quality defects of our works performed, including correcting, reconfiguring or re-performing the work or repair, replacing or modifying the structures or materials provided by us at our own costs to ensure the work is in strict compliance with the terms and conditions of the contract and is free from quality defects. During the warranty period, any defects relating to the quality of the installation works would be remedied by the third party installation teams at their own costs.

We will usually retain, on average, approximately 5% of the total amount of service fees to the third party installation teams as retention money. The retention money would be released to the third party installation teams within seven days upon maturity of the retention period, which is normally one year, as a guarantee for performance of any rectification work by the third party installation teams if any defect is identified. As the installation works rendered by the third party installation teams are rather simple and no special technique is required, the risk that their work would cause significant outflow of resources for the settlement of obligation arising from the defects of installation work is low. During the Track Record Period, we had received telephone enquiries from our customers mainly in relation to minor leakage problem of certain parts of the constructions and had not received any complaints from our customers regarding the quality of the installation work which are of a material nature. The third party installation teams were financially capable to carry out the rectification work at their own cost during the Track Record Period.

We closely monitor each construction project undertaken to ensure the quality of work performed. Major quality defects of each construction contract would normally be identified and rectified immediately during the monthly inspection by our customers. Upon completion of the construction work, our customers would examine the quality of work performed, and would require us to rectify any defects identified prior to the issue of completion certificate. Any defects identified after completion, that would usually be minor quality defects such as minor leakage problem of certain parts of the constructions, would be identified and rectified by the third party installation teams within a short period of time, normally within the retention period of the relevant construction contracts. As the third party installation teams are responsible to rectify any defects relating to the quality of the installation work, our Directors confirmed that the relevant rectification expenses were borne by the third party installation teams and we did not incur any warranty expense during the Track Record Period. Moreover, our Directors confirmed that there were no significant claims relating to the quality defects of the construction work undertaken by our Group after the retention period. In view of the above factors, our Directors consider that it would be remote to have quality defects that would cause significant outflow of resources for the settlement of obligation arising from the defects after completion of projects and therefore, no provision is required to be made despite the long warranty period provided by us.

OUR PROJECTS

We are principally engaged in (i) steel structure projects in respect of, among others, bridges, train stations, stadiums, exhibition centres and factory premises which involve structures such as steel columns, girders and beams of a construction; and (ii) prefabricated construction projects in respect of, among others, residential buildings (mainly social security housing), factory and shopping mall which involve structures such as beams, columns, column beams and precast concrete facade panels.

We broadly divide our projects into two categories based on the status of our projects:

- **Completed projects**

  Projects for which 100% of their revenue has been recognised for accounting purpose as completion certificate for the entire construction services undertaken by our Group has been obtained.

- **Projects in progress**

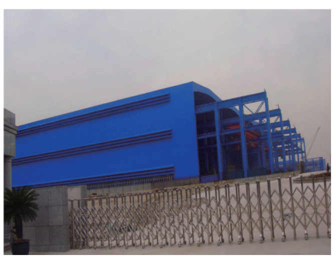
  Projects for which our work has not been completed and completion certificate for the entire construction services undertaken by our Group has not been obtained.

We completed 105 projects (including one project in which we provided both steel structure and prefabricated construction services) during the Track Record Period. As at 30 June 2013, we had 13 projects in progress.

Completed projects

The table below sets out our participation in some completed projects during the Track Record Period, where our Directors considered the contract value is significant:

Completed projects

Project	Contract value	Revenue recognised	Description
1. 泰州三福船舶工程有限公司下料車間鋼結構工程 (Taizhou Sanfu Marine Engineering Co., Limited Cutting Workshop Steel Structure Project)  • Location: Taizhou, the PRC • Time of completion of our part of work: October 2010	Approximately RMB42.9 million	Approximately RMB38.2 million	This project was a steel structure project regarding the construction of the cutting workshop of a shipyard. We undertook the fabrication and installation of certain parts of the steel structures of the workshop.
2. 寧波穿山至好思房公路工程第5合同段 (The Fifth Section of the Highway from Chuanshan to Haosifang in Ningbo)  • Location: Ningbo, the PRC • Time of completion of our part of work: October 2010	Approximately RMB74.5 million	Approximately RMB68.6 million	This project was a steel structure project and a public structure project which involved the construction of a highway from Chuanshan to Haosifang in Ningbo, the PRC. We were involved in the fabrication and installation of steel box girders of a bridge.

Project	**Contract value**	**Revenue recognised**	**Description**
3. 宜興氿北花園一期 (Yixing Jiubei Garden Phase I)  • Location: Yixing, the PRC • Time of completion of our part of work: March 2012	Approximately RMB125.2 million	Approximately RMB112.4 million	This project was a prefabricated construction project which involved the construction of social security housing. We provide construction services in relation to 18 blocks of buildings. We were responsible for the fabrication and installation of steel structures and certain heat insulated materials in the residential buildings.
4. 全鋼載重子午線輪胎生產車間輕鋼結構廠房 (All Steel Radial Tire Manufacturing Workshop Light Steel Structure Factory)  • Location: Anhui Province, the PRC • Time of completion of our part of work: June 2012	Approximately RMB40.9 million	Approximately RMB36.1 million	This project was a steel structure project which involved the fabrication and installation of steel structures of workshops of a tire manufacturing factory.

Project	Contract value	Revenue recognised	Description
5. 香港亞洲第一製藥新沂醫藥工業園 (Hong Kong Asia First Pharmacy Xinyi Medical Industrial Park)  • Location: Wuxi, the PRC • Time of completion of our part of work: July 2012	RMB180.0 million	Approximately RMB160.4 million	This project was a steel structure project of workshops in a medical industrial park. We were responsible for the fabrication and installation of steel structures of the workshops in the industrial park.
6. 宜興氿北花園二期 (Yixing Jiubei Garden Phase II)  • Location: Yixing, the PRC • Time of completion of our part of work: April 2013	RMB170.0 million	Approximately RMB152.7 million	This project is a prefabricated construction project which involved the construction of social security housing. We provide construction services in relation to 25 blocks of buildings. We were responsible for the fabrication and installation of steel structures and certain heat insulated materials in the residential buildings.

Note: The difference between the contract value and revenue recognised for each project represents the applicable value added tax of each project.

Projects in progress

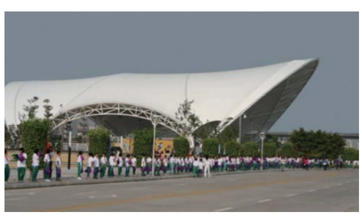
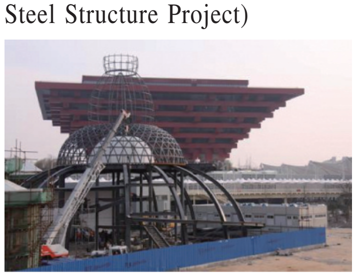
The table below sets out our participation in two of our projects that were in progress as at the Latest Practicable Date:

Projects in progress

	Project	Contract value	Percentage of completion and revenue recognised up to 31 August 2013 *(approximately)*	Description
1.	宜興氿北花園三期 (Yixing Jiubei Garden Phase III)  • Location: Yixing, the PRC • Expected time of completion of our part of work: November 2013	RMB136.0 million	84.2%; RMB102.9 million	This project is a prefabricated construction project which involves the construction of social security housing. We provide construction services in relation to 20 blocks of buildings. We are responsible for the fabrication and installation of steel structures and certain heat insulated materials in the residential buildings.
2.	紅星花園住宅 (Hongxing Residential Garden)  • Location: Yixing, the PRC • Expected time of completion of our part of work: June 2014	RMB210.6 million	49.0%; RMB92.7 million	This project is a prefabricated construction project which involves the construction of social security housing. We provide construction services in relation to 27 blocks of buildings. We are responsible for the fabrication and installation of steel structures and certain heat insulated materials in the residential buildings.

The table below sets out our participation in some completed projects which we consider representative or were granted with awards as at the Latest Practicable Date:

Project	Contract value	Description
1. 哈爾濱國際會展體育中心1號工程鋼網架製作安裝工程 (Harbin International Conference Exhibition and Sports Centre, No. 1 Construction Project on Construction and Installation of Steel Grid)  • Location: Harbin, the PRC • Time of completion of our part of work: September 2002	Approximately RMB4.2 million	We participated in the fabrication and installation of part of the steel grid structure of the sports centre.
2. 南京體育學院仙林分校自行車賽場鋼膜結構工程 (Nanjing Institute of Physical Education Xianlin College Bicycle Stadium Steel Membrane Structure Project)  • Location: Nanjing, the PRC • Time of completion of the whole project: May 2005	Approximately RMB13.5 million	It is a steel membrane structure construction project. This is a bicycle training stadium of Nanjing Institute of Physical Education Xianlin College. We were awarded with 紫金杯獎 (Purple Gold Cup) for this project by 江蘇省建築鋼結構混凝土協會 (Construction Steel Structures and Concrete Association of Jiangsu Province) in 2006. We were responsible for the fabrication and installation of steel structures in the stadium.

Project	Contract value	Description
3. 上海體育學院田徑館鋼結構工程 (Shanghai University of Sport Athletic Training Centre Steel Structure Project)  • Location: Shanghai, the PRC • Time of completion of the whole project: June 2008	Approximately RMB5.3 million	It is an indoor athletic training centre. We were awarded with 金鋼獎 (Jin Gang Award) for this project by 上海市金屬結構行業協會 (Shanghai Metal Construction Industry Association) in 2008. We were responsible for the fabrication and installation of steel structures and colour steel plates of the athletic training centre.
4. 廣州番禺區體育公園第一期膜結構工程(鋼結構管桁架部分) (Guangzhou Panyu Sports Park Membrane Structure Project Phase I (Steel Structure Pipe Truss Section))  • Location: Guangzhou, the PRC • Time of completion of the whole project: October 2009	Approximately RMB3.7 million	It was constructed with pipe trusses. We were responsible for the fabrication and installation of the steel structures of pipe truss structures of a stadium in the park.
5. 上海世博會尼泊爾館鋼結構工程 (Shanghai Expo Nepal Pavilion Steel Structure Project)  • Location: Shanghai, the PRC • Time of completion of our part of work: December 2009	Approximately RMB2.2 million	This project involved the construction of one of the pavilions in World Expo 2010 Shanghai China. The pavilion was in the shape of a pagoda. We were awarded with 紫金杯獎 (Purple Gold Cup) for this project by 江蘇省建築鋼結構混凝土協會 (Construction Steel Structures and Concrete Association in Jiangsu Province) in 2011. We were responsible for the fabrication and installation of steel structures in the pavilion.

The following awards were granted to the projects which we had participated in:

Year of grant	Award	Award-winning project	Awarding body
2011	中國鋼結構金獎 (國家優質工程) (National Steel Structure Gold Medal (National Quality Project))	新建武漢站鋼結構工程 (Wuhan Train Station Steel Structure Project)	中國建築金屬結構協會 (China Construction Metal Structure Association)
2011	中國鋼結構金獎 (國家優質工程) (National Steel Structure Gold Medal (National Quality Project))	廣州新客站鋼結構工程 (Guangzhou Train Station Steel Structure Project)	中國建築金屬結構協會 (China Construction Metal Structure Association)
2006	中國土木工程詹天佑獎 (Zhan Tianyou Award)	哈爾濱國際會展中心 (Harbin International Conference Exhibition Centre)	中國土木工程學會 (China Civil Engineering Society)

The following awards were granted to us in relation to the projects which we had participated in:

Year of grant	Award	Award-winning projects	Awarding body
2011	紫金杯 (Purple Gold Cup)	上海世博會尼泊爾館鋼結構工程 (製作、安裝) (Shanghai Expo Nepal Pavilion Steel Structure Project (fabrication, installation))	江蘇省建築鋼結構混凝土協會 (Construction Steel Structures and Concrete Association of Jiangsu Province)

Year of grant	Award	Award-winning projects	Awarding body
2011	紫金杯 (Purple Gold Cup)	國家電線電纜檢測質量監督檢測中心(江蘇)高壓實驗室鋼結構工程(製作、安裝) (National Centre (Jiangsu) for Quality Supervision and Test of Electric Wire & Cable High Pressure Laboratory Steel Structure Project (fabrication, installation))	江蘇省建築鋼結構混凝土協會 (Construction Steel Structures and Concrete Association of Jiangsu Province)
2010	紫金杯 (Purple Gold Cup)	廣州亞運村多層鋼結構建築工程 (Guangzhou Asian Olympics Village Multi-layer Steel Structure Construction Project)	江蘇省建築鋼結構混凝土協會 (Construction Steel Structures and Concrete Association of Jiangsu Province)
2009	紫金杯 (Purple Gold Cup)	泰州三福船舶工程有限公司船體分段制造車間鋼結構工程 (Taizhou Sanfu Marine Engineering Co., Limited Hull Block Fabrication Workshop Steel Structure Project)	江蘇省建築鋼結構混凝土協會 (Construction Steel Structures and Concrete Association of Jiangsu Province)
2008	金鋼獎 (Jin Gang Award)	上海體育學院田徑館工程 (Shanghai University of Sport Athletic Training Centre)	上海市金屬結構行業協會 (Shanghai Metal Construction Industry Association)

Year of grant	Award	Award-winning projects	Awarding body
2007	紫金杯 (Purple Gold Cup)	馬鞍山市采東橋工程 (Ma An Shan City Caidong Bridge)	江蘇省建築鋼結構混凝土協會 (Construction Steel Structures and Concrete Association of Jiangsu Province)
2006	紫金杯 (Purple Gold Cup)	南京仙林自行車賽場鋼膜結構工程 (Nanjing Xianlin Bicycle Stadium Steel Membrane Structure Project)	江蘇省建築鋼結構混凝土協會 (Construction Steel Structures and Concrete Association of Jiangsu Province)
2005	太湖杯 (Taihu Cup)	無錫拓普減震器有限公司生產車間 (Production workshop of Wuxi Top Absorber Company Limited)	無錫市建設局 (Construction Bureau of Wuxi City) 無錫建築行業協會 (Wuxi Construction Industry Association)
2005	揚子杯 (Yangtze Cup)	無錫拓普減震器有限公司生產車間 (Production workshop of Wuxi Top Absorber Company Limited)	江蘇省建設廳 (Department of Construction of Jiangsu Province) 江蘇省建築工程管理局 (Construction Project Administration Bureau of Jiangsu Province) 江蘇省建築行業協會 (Jiangsu Province Construction Industry Association)

AWARD AND ACCREDITATIONS

Saite Steel (Jiangsu) has received the following awards and accreditations:

Year	Award/Certificate	Awarding body
2009-2012	江蘇省建築業百強企業 (Jiangsu Province Top 100 Construction Enterprises)	Jiangsu Department of Housing 江蘇省統計局 (Statistics Information Network of Jiangsu Province) 江蘇省商務廳 (Department of Commerce of Jiangsu Province)
2007, 2010-2011	宜興市建築業優秀企業 (Yixing Construction Industry Outstanding Enterprise)	宜興市建設局 (Construction Bureau of Yixing City) 宜興市建築行業協會 (Construction Industry Association of Yixing City)
2009-2011	先進企業 (Advanced Enterprise)	中共宜興市委員會 (Yixing City Committee of the Communist Party of China) 宜興市人民政府 (Yixing City People's Government)
2011	宜興市產學研合作推進先進單位 (Yixing City Advanced Enterprise in the development of the cooperation among the industry, academic institutions and research institutes)	宜興市人民政府 (Yixing City People's Government)
2009	無錫建築業優秀企業 (Wuxi Construction Industry Outstanding Enterprise)	無錫建築行業協會 (Wuxi Construction Industry Association)

Year	Award/Certificate	Awarding body
2007-2008	江蘇省鋼結構行業最佳企業 (Best Steel Construction Enterprise of Jiangsu Province)	江蘇省建築鋼結構混凝土協會 (Construction Steel Structures and Concrete Association of Jiangsu Province)
2007	江蘇省建築鋼結構十強企業 (Top 10 Enterprises in Steel Structure Construction of Jiangsu Province)	江蘇省建設廳 (Department of Construction of Jiangsu Province) 江蘇省對外貿易經濟合作廳 (Bureau of Foreign Trade and Economic Cooperation of Jiangsu Province) 江蘇省統計局 (Statistics Information Network of Jiangsu Province) 江蘇省建築工程管理局 (Construction Project Administration Bureau of Jiangsu Province)

We have been a member of 江蘇省建築鋼結構混凝土協會 (Construction Steel Structures and Concrete Association of Jiangsu Province) since 2006 and became an executive member of this association since 2012. In 2012, we also became a member of each of 中國建築金屬結構協會 (China Construction Metal Structure Association) and 中國鋼結構協會 (China Steel Construction Society).

RESEARCH AND DEVELOPMENT

As at the Latest Practicable Date, we owned three registered utility model patents and had the exclusive right to use three registered invention patents and utility model patents pursuant to several licence agreements, and were applying for the registration of two invention patents in the PRC. Further details of the major patents used by us are set out in the paragraph headed "Intellectual property" below and the paragraph headed "Intellectual property rights of our Group" in Appendix V to this prospectus.

Our research and development function is carried out by various staff from different teams including the technical team, construction team and production team. We recruit college graduates and engineers from all over China. We have been cooperating with Southeast University in relation to the research and development of steel structures and prefabricated construction techniques since 2011. Southeast University is one of the leading experts in the PRC construction industry. It published the national technical construction standard of prefabricated construction of the PRC namely "Prefabricated Concrete Framework (the World Constitutive System) Technical Specification" (預製預應力混凝土裝配整體式框架(世構體系)技術規程) which has been announced to be the compulsory standard of the industry to be applied by enterprises in the PRC by the PRC government on 1 October 2011.

In 2011, we established a research centre with Southeast University for the research and development of steel structures and prefabricated construction techniques. This research centre focuses on developing integrated solutions tailored to our customers' needs, providing guidance and advice on construction design and techniques in relation to our projects, providing regular trainings or seminars to our staff and introducing new technologies in relation to steel structure parts and prefabricated construction materials and construction methods to our Group to improve our existing services, enhance our production efficiency and reduce our costs. As at the Latest Practicable Date, no construction process or product had been co-developed by Southeast University and our Group.

According to the agreement we entered into with Southeast University, any invention developed by the research centre would be solely owned by us. Southeast University is not allowed to utilise such invention unless with the written permission of our Group. Furthermore, our Group has agreed to pay approximately RMB600,000 per annum for the operation of this research centre.

OUR WORKSHOPS

During the Track Record Period, most of the parts and materials used for our steel structure projects and prefabricated construction projects are fabricated or manufactured by our staff at our workshops in Yixing, the PRC. There were occasions where we engaged temporary third party production teams to undertake works at our workshops when we were under a tight schedule. Moreover, we may also engage subcontractors to undertake part of our work depending on our internal resources and cost effectiveness, and we would also purchase the necessary processed parts and materials from our suppliers.

Steel structure parts

As at the Latest Practicable Date, we had nine workshops, with a total gross floor area of approximately 34,800 sq.m., for the fabrication of steel structure parts.

The following table sets out our designed production capacity, actual production volume and average utilisation rate during each of the three years ended 31 December 2012 and the six months ended 30 June 2013 for the fabrication of steel structure parts.

	Year ended 31 December			Six months ended 30 June
	2010	**2011**	**2012**	**2013**
	Approximately	*Approximately*	*Approximately*	*Approximately*
Designed production capacity[1]	57,600 tons	57,600 tons	66,300 tons[3]	59,700 tons[6]
Actual production volume	38,900 tons	25,100 tons	62,400 tons	37,400 tons
Average utilisation rate[2]	67.5%[4]	43.6%	94.1%[5]	62.6%[7]

Notes:

1. The designed production capacity of our workshops for each of the three years ended 31 December 2012 and the six months ended 30 June 2013 is calculated on the basis of 320 days per year and eight working hours per day. The designed production capacity of our workshops for the six months ended 30 June 2013 represents the pro-rated production capacity calculated based on a designed annual production capacity of approximately 119,500 tons. The figures are estimated based on the most commonly used steel structure parts in our steel structure projects, namely H-beam steel and box-type steel, manufacturers' specifications of the equipment, historical figures and other data that we believe to be reliable. However, actual production capacity may differ from estimated capacity due to variation in the parts required for each steel structure project undertaken by us during the relevant year or period.

2. Average utilisation rate is calculated based on the actual production volume during the relevant year divided by the designed production capacity.

3. We acquired additional plant and machineries in 2012 and thus our designed production capacity increased from approximately 57,600 tons for the year ended 31 December 2011 to approximately 66,300 tons for the year ended 31 December 2012.

4. We undertook two steel structure projects for the year ended 31 December 2010 which include a bridge and a steel manufacturing factory premises that required more steel structure parts to be produced.

5. The construction of two steel structure projects for the year ended 31 December 2012 which include 香港亞洲第一製藥新沂醫藥工業園 (Hong Kong Asia First Pharmacy Xinyi Medical Industrial Park) and a machinery manufacturing factory premises required more steel structure parts to be produced.

6. We acquired additional plant and machineries in 2013 and thus our designed annual production capacity increased from approximately 66,300 tons for the year ended 31 December 2012 to approximately 119,500 tons for the six months ended 30 June 2013.

7. Our average utilisation rate decreased from approximately 94.1% for the year ended 31 December 2012 to approximately 62.6% for the six months ended 30 June 2013 primarily due to the acquisition of machineries which increased our designed production capacity by approximately 80.2% per annum during the six months ended 30 June 2013.

Prefabricated construction materials

We commenced provision of services for prefabricated construction projects since late 2010. We have a workshop of approximately 23,000 sq.m. for the production of prefabricated construction materials. The following table sets out our designed production capacity, actual production volume and average utilisation rate during each of the two years ended 31 December 2012 and the six months ended 30 June 2013 for the production of prefabricated construction materials.

	Year ended 31 December		Six months ended 30 June
	2011	**2012**	**2013**
	Approximately	*Approximately*	*Approximately*
Designed production capacity (gross floor area)(1)	172,800 sq.m.	216,000 sq.m.(3)	132,800 sq.m.
Actual production volume (gross floor area)	124,600 sq.m.	145,100 sq.m.	126,000 sq.m.
Average utilisation rate(2)	72.1%	67.2%(4)	94.9%(5)

Notes:

1. The designed production capacity of our workshop for each of the two years ended 31 December 2012 and the six months ended 30 June 2013 is calculated on the basis of 320 days per year and eight working hours per day. The designed production capacity of our workshop for the six months ended 30 June 2013 was calculated based on the daily production capacity of approximately 675 sq.m. for the four months ended 30 April 2013 (on the basis of 95 days) and approximately 1,125 sq.m. for the two months ended 30 June 2013 (on the basis of 61 days) due to the acquisition of machineries in May 2013. The figures are estimated based on the most commonly used prefabricated construction materials in our prefabricated construction projects, namely screw thread steel, historical figures and other data that we believe to be reliable. However, actual production capacity may differ from estimated capacity due to variation in the materials required for each prefabricated construction project undertaken by us during the relevant year or period.

2. Average utilisation rate is calculated based on the actual production volume during the relevant year divided by the designed production capacity of the workshop.

3. Our designed production capacity increased from approximately 172,800 sq.m. for the year ended 31 December 2011 to approximately 216,000 sq.m. for the year ended 31 December 2012 because of the increasing number of production staff and temporary third party production teams.

4. Our average utilisation rate decreased from approximately 72.1% for the year ended 31 December 2011 to approximately 67.2% for the year ended 31 December 2012. Although we undertook more prefabricated construction projects for the year ended 31 December 2012 and produced more prefabricated construction materials, the increase in production capacity outweighted the increase in actual production volume in 2012. Moreover, two prefabricated construction projects we undertook in 2012 were in their initial stage of construction and thus not much prefabricated construction materials were produced for these two projects for the year ended 31 December 2012.

5. Our average utilisation rate increased from approximately 67.2% for the year ended 31 December 2012 to approximately 94.9% for the six months ended 30 June 2013 primarily due to the increased prefabricated construction projects we undertook during the six months ended 30 June 2013.

Our Directors generally manage our production flow and assess the need for expansion of our workshops based on the utilisation of our current workshops, estimated growth of the newly awarded project contracts and market expansion strategies. Details of our plan to expand our workshops are set out in the paragraph headed "Our business strategies" above.

QUALITY CONTROL

We have established strict quality management system pursuant to ISO9001:2008 standards, governing (i) the steel building project construction (within the scope of qualification); and (ii) the manufacturing of steel structures. We have also issued a series of internal guidelines as our primary standards for quality control, such as operation guidelines, fire control management and hygiene management. Our quality control measures are implemented at every important step throughout our production and installation process, from procurement of raw materials, fabrication and assembly of parts and materials, to inspection of finished works at work sites. To ensure quality, we strictly adhere to the drawings and technical specifications during the fabrication and assembly of parts and materials.

Quality control measures

We implement quality control by focusing on the following aspects that affect the quality of our services and continuously seek to improve our service quality.

Personnel

For each project, a project management team consisting of our staff including a project manager, a technical staff, a safety staff and a quality control staff are generally appointed to ensure our project is conducted properly. The project manager is mainly responsible for the overall management of a project. The technical staff is responsible for compilation and implementation of quality control measures of a project. The safety staff and the quality control staff are appointed for, among others, reviewing relevant certificates and documentation of raw materials, collecting information in relation to project progress, liaising with relevant parties, conducting safety education and inspection. Installation workers at the work sites are required to maintain diaries recording information in relation to the project including weather, work progress, labour and raw materials involved.

Raw materials

We have established a system for maintaining the quality of raw materials. To ensure that the incoming raw materials, such as steel plates and colour-coated steel coil, meet our quality standards and specifications required and the applicable PRC national standards, we obtain inspection certificates from our suppliers on such materials, which set out their chemical elements and mechanical properties. In addition, we compile and review our list of qualified suppliers as and when required. Our goal is to maintain our cost competitiveness while ensuring raw material quality.

Fabrication

Towards the end of the fabrication process of steel structure parts in our workshops, technical inspection will be conducted on the quality of such steel structure parts by means of, among others, ultrasonic flaw examination, and an inspection report will be prepared. Where such parts fulfil the specifications required, we will issue a product quality certificate. Our project managers at work site will examine the inspection certificates from our suppliers and the product quality certificates before allowing such steel structure parts to be used at the work site.

Installation

We conduct on-site installation works by our own staff and we also engaged third party installation teams to assist us with the installation work. Further information of such arrangement is set out in the paragraph headed "Supplies and suppliers" below. To ensure the quality of the installation works conducted through these third parties, we have taken various measures including the following:

- ***Selection of third party installation teams:*** In selecting third party installation teams, we would consider various factors to assess the candidates in order to ensure the quality of the installation works. Such factors include the candidates' installation experience, the number of skilled labour they have, their capabilities to carry out projects, their ability to make timely deliveries, their intention to cooperate with us in the long term, and our evaluation of their past performance.

- ***Technical management:*** Our project management team will make sure our staff and the installation team sufficiently understand the detailed technical and quality requirements of a project. In addition, our project management team and staff will work together with the installation team to analyse any issues that may arise during the process of installation.

- ***On-site inspection:*** For every project, we have at least one on-site stationed supervisor from our project management team who is responsible for the daily supervision of project quality and safety. In addition, we require the responsible person of the installation team to station at the work site throughout the installation period. Further, our quality control staff would examine the welding quality of the steel structures at the work sites by ultrasonic flaw examination to ensure the welded parts are complied with the applicable PRC national standards.

- ***Troubleshooting:*** Our project management team and installation team also conduct regular quality inspections and hold regular meetings on quality issues. We require any issues as to quality to be resolved in a timely manner.

- ***Acceptance inspection:*** We arrange acceptance inspection at different stages of a project and make detailed documentation to ensure project quality and prevent major quality issues from arising.

SALES AND MARKETING

We have a sales and marketing network to promote our services to our customers in the PRC and source business opportunities from our potential customers. Our sales and marketing team is responsible for information collection, marketing and sales, and customer services. The team is also responsible for conducting research on our industry and its competitive landscape, analysing market data, organising site visits for potential customers, arranging for promotional materials and procuring new customers. The team also plays an important role in providing support to our existing customers and meeting with prospective customers to assess and understand their requirements so that we can better cater to their needs. Before a contract is awarded to us, our sales and marketing team will coordinate the work of other teams, including our technical team and our construction team. The team is also responsible for handling bidding applications and negotiations with potential customers, liaising and coordinating with customers and implementing approved competitive tactics for specific projects. As at 30 June 2013, we had eight sales and marketing staff, including our head of sales, two sales managers and five sales representatives. Each of our sales representatives has his geographical focus covering different locations in the PRC.

Marketing strategies

We maintain regular contacts with industry players such as design houses and research institutions to understand latest project information, industry trends and potential business opportunities. We also work with Southeast University to obtain technical support to enhance our construction and design techniques to compete with other industry players. Further information about our cooperation with Southeast University is set out in the paragraph headed “Research and development” above. We designate specific sales and marketing staff in different regions to monitor local news of potential projects, and pay regular visits to existing and potential customers. We keep potential project information in our information management system, which we review and update from time to time. We also publish marketing materials from time to time relating to our latest development for free distribution to our existing and potential customers.

CUSTOMERS

Our customers are generally property owners, main contractors or subcontractors in construction projects.

We engage in a wide spectrum of construction projects which cover different kinds of building structure and the projects we involved are located in various parts of the PRC, mainly in Jiangsu Province and Shanghai and their nearby provinces. Our Directors believe that our sales and marketing team plays a key role in our efforts to source new projects. One of the main responsibilities of our sales and marketing team is to maintain regular contact with industry players such as design houses and research institutions so as to obtain the latest market information and track potential business opportunities.

Our largest customer accounted for approximately 16.9%, 15.6%, 15.3% and 23.5% of our revenue for each of the three years ended 31 December 2012 and the six months ended 30 June 2013, respectively. Our five largest customers together accounted for approximately 57.1%, 36.5%, 52.4% and 60.3% of our revenue for each of the three years ended 31 December 2012 and the six months ended 30 June 2013, respectively.

None of our Directors, their respective associates, or any Shareholder who owns more than 5% of our issued share capital, had any interest in any of our five largest customers during the Track Record Period.

Key terms of customer contracts

Generally, our contracts for construction projects contain terms relating to contract value, scope of work, quality inspection standards, payment terms and warranty provisions. A summary of the key terms of our contracts is set out below.

Standards of quality inspection

We are typically required to adhere to the agreed design specifications and national standards in relation to the construction works we undertaken, including GB50205-2001 鋼結構工程施工質量驗收範圍 (GB50205-2001 Code for acceptance of construction quality of steel structures) promulgated by 中華人民共和國國家質量監督檢驗檢疫總局 (General Administration of Quality Supervision, Inspection and Quarantine of the PRC) and the Ministry of Housing in 2002, and JG144-2002 門式剛架輕型房屋鋼構件 (Portal steel frame structure and light-weight buildings) promulgated by the Ministry of Housing in 2003 which covers quality contract in respect of different stages of our project workflow, including upon receipt of raw materials, at the fabrication stage, assembly stage, and on our finished works.

Payment terms

The contract value typically consists of three parts, namely, advance payment, progress payment and retention money.

(i) Advance payment

Our customers are usually required to pay advance payment within three to seven days after signing of the contract with us. The advance payment usually accounts for around 20% to 30% of the total contract value.

(ii) Progress payments

After commencement of work pursuant to the contract, progress payments are typically made by stages based on either the milestone events stipulated in our contracts or the actual progress of our work performed. Upon certification of our customers regarding the progress of our work performed for each project at the end of each month, we then recognised our revenue accordingly. In respect of contracts with progress payments set out pursuant to relevant milestone events, our customers shall make payments in accordance with the terms of the contracts, normally within three to seven days after we submit milestone payment applications to our customers. For contracts with progress payments set out pursuant to our actual work progress, we usually request our customers to settle the value of the work that we have performed according to the certification at the end of each month. Our customers shall then make such progress payments. Usually, for both kinds of contract with different stage payment calculation, all of the outstanding contract value will be paid to us upon completion of the project, except that a certain percentage of the contract value shall be held by our customers as retention money.

Our sales and marketing team and finance and administration team are responsible for collecting the outstanding payments from our customers. Trade receivables which were past due amounted to approximately RMB34.3 million as at 30 June 2013 has been subsequently settled.

(iii) Retention money

We receive payments for our projects in progress payments upon achieving certain project milestones or based on the actual progress of our work performed. Our customers are allowed to retain a portion of the total contract amount as the retention money to guarantee our work quality.

In some cases, the retention money is released to us by instalments over the period of the retention money is being held, whereas in other cases, the retention money is released to us one-off after the retention period. Generally, contracts with longer retention period would require our customers to release the retention money to us by instalments over the retention period instead of one-off payment after the retention period. As at 31 December 2010, 2011 and 2012 and 30 June 2013, retention receivables of approximately RMB47.6 million, RMB70.2 million, RMB161.2 million and RMB199.3 million were retained by our customers, respectively. Save for the effect of the High Retention Projects as described below, the increase in our retention receivables was in line with the increase in our revenue over the respective periods.

We have adopted an internal policy on sales quotation since October 2012. According to such internal policy, retention money should be maintained at 5% of the contract value for a retention period of one year under normal circumstances subject to a fluctuation of not more than 5% during the negotiation process. We would not enter into contract with retention money higher than 10% of the contract value unless prior written approval of our senior management is obtained in exceptional circumstances. When approving such projects, the following factors must be considered as a whole: (i) feasibility and profitability of the project; (ii) size, reputation, creditability and background of the customer; (iii) any potential impact on our Group's liquidity position; and (iv) potential future business opportunities to be introduced by the customer. Our sales and marketing team and finance and administration team are responsible for collecting the outstanding payments from our customers. To keep track of any outstanding receivables, including the retention receivables, our finance and administration team would compile a monthly trade receivables aging analysis table, which would be copied to our sales and marketing team. They would determine if any provision should be made regarding the receivables which have past due for more than one year, and carry out necessary actions, including reminding our customers to repay the outstanding payments and taking out legal actions against our customers.

Our retention receivables which were past due were approximately RMB14.3 million, RMB19.4 million, nil and nil as at 31 December 2010, 2011 and 2012, and 30 June 2013, respectively. During the Track Record Period, there have not been any incidents where our customers defaulted in their payment obligations to us.

During the Track Record Period, retention period normally ranged between one to two years and retention amount ranged between 5% to 20% of the total contract value. In 2012, certain new contracts awarded to us required longer retention period and higher percentage of contract value as retention money, which are not the normal practice of the industry according to the Ipsos Report. For the year ended 31 December 2012, we were awarded 28 new contracts, of which two contracts had retention period of three years, and seven contracts required retention amounts higher than 20% of contract value (the "**High Retention Projects**"). Five of the seven High Retention Projects had relatively high gross profit margins of over 29%. Our Directors confirm that when accepting projects with high retention amounts, factors such as feasibility and profitability of the project, reputation and background of the customer, and potential future business opportunities to be introduced by the customer are considered. Customers of the High Retention Projects are mainly new customers and large-scale corporations with investment in different parts of the PRC, or customers which have not previously used steel structure or prefabricated construction before or customers from locations where we intend to further expand our market share. Such opportunities arisen which offered a chance for us to expand our existing customer network for our long term development. Our Directors consider that it was a strategic move for our Group to offer such flexible terms to these customers and do not represent a weakening of our bargaining power or any inability to secure contracts.

The High Retention Projects had a total contract value of approximately RMB434.0 million, among which, approximately RMB133.2 million was retention money, the amount of which is to be repaid within the first, second and third year after completion of project were approximately RMB71.2 million, RMB42.2 million and RMB19.8 million respectively. Having considered the contract value of the High Retention Projects, our bank balances and cash position as at 31 December 2012 of approximately RMB329.0 million and net increase in cash and cash equivalents during the Track Record Period, our Directors are of the view that the acceptance of High Retention Projects will not have a significant impact on our Group's liquidity position. Furthermore, taking into account the aforementioned internal policy, our Directors consider that the High Retention Projects were exceptional and do not expect to continue to undertake projects with retention amount and/or retention period as high or as long as the High Retention Projects in the future. Our Directors considered that the discontinuation of the High Retention Projects would not have material impact on our Group's profitability going forward.

Adjustment of contract value

The contract price is generally not subject to adjustment. However, in some contracts we are allowed to re-negotiate the contract value with our customer according to the terms of the contract in the event that our customer changes its construction plan.

Warranty

According to the Measures, we are responsible for the repair of the quality defects that occur within the warranty period after completion of the projects. As defined in the Measures, quality defects refer to the quality of the construction projects that does not conform to the mandatory standards of engineering construction as well as the stipulations of relevant construction contracts. Quality defects caused by improper use, a third party or force majeure do not fall within the warranty scope.

The warranty periods vary with different parts of construction. According to the Measures, the warranty period for main structure projects is equivalent to the reasonable service years provided in the design documents of such structures, while the warranty period for roof waterproof projects and anti-leakage of rooms and outer walls is five years. We generally refer to GB50068-2001 建築結構可靠度設計統一標準 (GB50068-2001 Unified standard for reliability design of building structures) promulgated by 中華人民共和國國家質量監督檢驗檢疫總局 (General Administration of Quality Supervision, Inspection and Quarantine of the PRC) and the Ministry of Housing in 2001 to determine the reasonable service years of the type of structure being constructed or installed. According to such unified standard, the reasonable service years is five years for temporary structure, 25 years for easily replaceable parts and 50 years for normal buildings and structures.

Within the warranty period, we are required to correct the quality defects of our works performed, including correcting, reconfiguring or re-performing the work or repair, replacing or modifying the structures or materials provided by us at our own costs to ensure the work is in strict compliance with the terms and conditions of the contract and is free from defects.

SUPPLIES AND SUPPLIERS

Our suppliers mainly include suppliers of raw materials and installation work, and installation teams. Our five largest suppliers together accounted for approximately 34.7%, 29.7%, 51.0% and 54.6% of our actual cost of materials, installation costs and transportation costs incurred for each of the three years ended 31 December 2012 and the six months ended 30 June 2013, respectively. Our largest supplier accounted for approximately 10.6%, 7.4%, 17.8% and 22.3% of our actual cost of materials, installation costs and transportation costs incurred for each of the three years ended 31 December 2012 and the six months ended 30 June 2013 respectively. Our largest supplier for the three years ended 31 December 2012 and the six months ended 30 June 2013 were suppliers of raw materials.

None of our Directors, their respective associates, or any Shareholder who owns more than 5% of our issued share capital, had any interest in any of our five largest suppliers during the Track Record Period.

Raw materials

The principal materials that we use include different kinds of steel materials, colour-coated steel coil, heat insulated materials and concrete.

We procure raw materials after we are successfully awarded a contract. According to the agreed design specifications, we estimate the amount of raw materials as required in that particular project and procure the relevant amount of raw materials. Therefore, we do not maintain a minimal inventory level. If there is any raw material left after completion of a project, we store such extra raw materials in our warehouse in accordance with their categories, which may be used in other projects.

The price of steel materials quoted from our suppliers are generally based on (1) the prevailing average prices of China domestic hot rolled steel; (2) the processing charges of suppliers according to our requirements; and (3) the transportation fees. The average prices of China domestic hot rolled steel in the PRC quoted from Bloomberg for each of the three years ended 31 December 2010, 2011 and 2012 were approximately RMB4,256 per ton, RMB4,673 per ton and RMB3,999 per ton, respectively. As of 30 June 2013, the average price of steel sheet in the PRC quoted from Bloomberg was RMB3,474 per ton. The chart below illustrates the average prices of China domestic hot rolled steel in the PRC quoted from Bloomberg from January 2010 to June 2013.

Source: Bloomberg

According to the Ipsos Report, price of steel was hovering at a relatively low level in 2009 since the outbreak of global financial crisis in 2008. From 2009 to 2010, regardless of the declining price of major commodities as a result of the outbreak of the European debt crisis, increase in production capacity sustained annual growth of the average steel price by approximately 14.2% from approximately RMB3,728 per ton in 2009 to approximately RMB4,256 per ton in 2010. Growth slowed down to approximately 9.8% from approximately RMB4,256 per ton in 2010 to approximately RMB4,673 per ton in 2011 because of the unstable economy. The deepening of the European debt crisis, rising inflation and tightening monetary policy in the PRC raised difficulty in financing which hampered demand for steel from downstream industries and thus the average price of steel declined in 2012.

Selection and evaluation of suppliers

We purchase raw materials from a number of suppliers. The factors we consider when selecting suppliers include the suppliers' size of operation, product quality, after-sales services, reputation and prices quoted. Based on our evaluation of suppliers according to the above factors, we have compiled a list of qualified suppliers to ensure the high quality and timely completion of our projects. In addition, we review our list of qualified suppliers as and when required. Our goal is to maintain our cost competitiveness while ensuring raw material quality.

Procurement policy and procedures

To manage raw material price fluctuation, we would consider the prevailing market price of major raw materials and their short-term market price trends before and when we negotiate the contract terms with our potential customers. Depending on the progress of each of our projects, most of the major raw materials that we used, including different kinds of steel materials, are generally purchased at the early stage of our projects upon receiving the prepayment from the customers (i.e. generally during the first four months after we are awarded a contract). Our Directors confirm that, during the Track Record Period, we had not experienced any significant loss in a project due to the unanticipated increase of the price of raw materials and hence no other measure is adopted to mitigate the risk of raw material price fluctuation.

We usually invite three to five potential suppliers for price quotations for steel materials that we require in a project. Upon receiving their price quotations and confirmation as to delivery time, we will then select the most appropriate supplier and enter into supply agreement with them.

In order to ensure high efficiency and compliance of our internal procurement procedures, we have specifically established a procurement team, which is responsible for the selection and evaluation of suppliers as well as price negotiation and review of contracts with suppliers.

Our largest supplier of raw materials accounted for approximately 14.5%, 10.8%, 26.6% and 38.4% of our actual cost of materials incurred for each of the years ended 31 December 2012 and the six months ended 30 June 2013, respectively and our five largest suppliers of raw materials accounted for approximately 43.1%, 42.3%, 75.5% and 87.9% of our actual cost of materials incurred for each of the years ended 31 December 2012 and the six months ended 30 June 2013, respectively. We adopted similar selection policy and criteria when selecting suppliers of raw materials during the six months ended 30 June 2013 as in other periods during the Track Record Period. The significant increase of percentage of purchase from our five largest suppliers of raw materials during the year ended 31 December 2012 as compared to the year ended 31 December 2011 was mainly due to the increase of our purchase from two of these suppliers which supplied us with steel materials for our construction of 香港亞洲第一製藥新沂醫藥工業園 (Hong Kong Asia First Pharmacy Xinyi Medical Industrial Park) which required more steel structure parts as construction materials during the period and the more competitive quotation as well as performance and quality of a few suppliers during our normal selection process of suppliers in various projects in such year. For the six months ended 30 June 2013, we continued to engage such two suppliers and they provided materials for a number of our steel structure projects including bridges, sports centre and factory premises.

Installation

During the Track Record Period, installation work of steel structures or prefabricated construction materials at the work sites are carried out by our own staff and installation teams, which are Independent Third Parties and most of them have stable business relationships with us. The labour services provided by the third party installation teams are rather simple and no special technique is required and we have at least one on-site stationed supervisor from our project management team to monitor the progress of our projects. With the use of third party installation teams, we can undertake installation works through a significant pool of workers without the need for keeping them under permanent employment.

For each project, we enter into an agreement with the responsible person of the third party installation team which sets out, among others, scope of work, payment terms, retention money, timetable and inspection mechanism. We generally pay the third party installation teams based on the milestone events stipulated in our agreements with them. We will usually retain, on average, approximately 5% of the total amount of service fees to the third party installation teams as retention money. The retention money would be released to the third party installation teams within seven days upon maturity of the retention period. Retention period for installation work is generally one year after completion of a project. Within the retention period, any defects relating to the quality of their works shall be remedied by the third party installation teams at their own costs. In case where the warranty period given to our customers is longer than the retention period offered by the third party installation team, in practice, we usually require the third party installation teams to repair or re-perform the works carried out by them at their own costs. The third party installation team usually would agree to repair or re-perform their works in order to maintain good relationship with us. As the installation works rendered by the third party installation teams are rather simple and no special technique is required, the risk that their work would cause significant outflow of resources for the settlement of obligation arising from the defects of installation work is low. During the Track Record Period, we had received telephone enquiries from our customers mainly in relation to minor leakage problem of certain parts of the constructions and had not received any complaints from our customers regarding the quality of the installation work which are of a material nature. The third party installation teams were financially capable to carry out the rectification work at their own cost during the Track Record Period.

We have a selection process for third party installation teams, requiring the third party installation teams to meet criteria based on a number of parameters including their installation experience, size of the team, quality of work, previous cooperation experience with us and price competitiveness of quotation. In order to enhance smooth operation of the project and our control over the third party installation teams, we have taken various monitoring and quality control measures which are further disclosed in the paragraph headed "Quality control measures" above. We evaluate the performance of the third party installation teams from time to time.

Different from other construction projects, the fabrication and assembly of the steel structure parts and prefabricated construction materials would be completed in our workshop, and the implementation plan would be predetermined by us before any steel structure parts and prefabricated construction materials are transported to the work sites for installation. For every project, we delegate sufficient technical staff and construction staff to monitor and carry out the installation work at work sites. As we still require a large number of manpower to complete the manual work at work sites, we engage third party installation teams to assist us in the installation work of steel structures or prefabricated construction materials at work sites, the work undertaken by these third party installation teams includes (i) transportation of the steel structure parts and prefabricated construction materials from our workshops to the work sites; (ii) preparation of the necessary equipment for the installation work required to be conducted at work sites according to the implementation plan provided by us; (iii) lifting and moving the steel structure parts and prefabricated construction materials within the work sites as directed by our staff; and (iv) safe guarding the steel structure parts and prefabricated construction materials and tidying up the work site. Our staff would provide supervision to the third party installation team to assist us to carry out the installation work.

Pursuant to the 建築業勞務分包企業資質標準 (Standard for Qualification of Labour Service Subcontractors in the Construction Industry), there are 13 categories of labour services which require the subcontractors to obtain the relevant subcontracting qualification. Our Directors confirmed that the work undertaken by the third party installation teams does not belong to any of the 13 categories. Based on above, our PRC Legal Advisers confirmed that (i) the work undertaken by the third party installation teams does not need to obtain any subcontracting qualification; and (ii) the engagement of the third party installation teams is not a subcontracting of labour services.

Our PRC Legal Advisers also advised that the contract between the third party installation team and Saite Steel (Jiangsu) is a "contract for work" defined under 中華人民共和國合同法 (Contract Law of the PRC), which refers to a contract whereby the third party installation team shall complete the work according to our requirements and deliver their works performed in exchange for remuneration, which is different from the "labour contract" as defined under 中華人民共和國勞動合同法 (Labour Contract Law of the PRC). Based on the reasons above, our PRC Legal Advisers advised that the workers of the third party installation teams are not our employees. Therefore, we are not responsible for their workers' compensation, social insurance and other benefits. According to the written confirmation dated 8 October 2013 issued by 宜興市人力資源和社會保障局 (Yixing City Human Resources and Social Security Authority) to Saite Steel (Jiangsu), since its incorporation to the date of the confirmation, (i) Saite Steel (Jiangsu) has been in compliance with the relevant state and local laws and regulations regarding labour protection; (ii) no administrative penalty has been imposed on Saite Steel (Jiangsu) in relation to the non-compliance of relevant labour laws and regulations; and (iii) Saite Steel (Jiangsu) was not involved in any dispute with such authority in relation to social insurance matters. As such, our PRC Legal Advisers confirmed that, our use of third party installation teams and the entering into contracts with the third party installation teams are in compliance with the relevant PRC laws and regulations and Saite Steel (Jiangsu) has not breached any relevant PRC laws and regulations in relation to labour protection.

The third party installation teams are engaged to ensure that we can maintain a flexible labour force in different cities according to our projects demand from time to time given that our projects are located in various parts of the PRC. Furthermore, as the third party installation teams only assist us to complete some simple manual work at work sites of the relevant projects for a short period of time and we may not require the same amount of workforce all the time, our Directors consider that it is more convenient to enter into contracts with the third party installation team on a project basis. Therefore, our Directors confirmed that the use of third party installation teams is not for the purpose of circumventing any PRC labour laws or regulations. In order to ensure each individual worker in the installation team is properly insured, we normally require the responsible person of the installation team to provide us with the insurance proof before an installation team is engaged.

According to our PRC Legal Advisers, approval from customers is not required for the engagement of third party installation team. If the third party installation teams breach any rules and regulations in relation to the services they rendered to us and lead to loss suffered by our customers, we, as the counterparty to the contracts with our customers, are primarily responsible for their loss. However, we have the right to claim against the third party installation teams for compensation according to the contract between us and the third party installation team. We delegate sufficient technical staff and construction staff to monitor and carry out construction work at the worksite to ensure work is performed in compliance with relevant rules and regulations.

We make payment directly to the responsible person for the third party installation teams rather than the individual workers from the team. For the three years ended 31 December 2012 and the six months ended 30 June 2013, we incurred a total amount of approximately RMB79.8 million, RMB121.4 million, RMB211.2 million and RMB177.1 million, respectively, as actual installation costs. Our largest installation team accounted for approximately 28.0%, 18.1%, 16.1% and 11.3% of our actual installation costs incurred for each of the years ended 31 December 2012 and the six months ended 30 June 2013, respectively and our five largest installation teams accounted for approximately 77.7%, 40.5%, 55.0% and 45.6% of our actual installation costs for each of the years ended 31 December 2012 and the six months ended 30 June 2013, respectively.

Our PRC Legal Advisers advised that the agreements we entered into with the responsible person of the installation teams are legal, valid, and binding on the parties to the agreements. During the Track Record Period and up to the Latest Practicable Date, we had not had any material disputes with the third party installation teams.

Subcontracting of construction services

We are allowed to subcontract our construction work subject to the terms of the contract with our customers. Depending on our internal resources and cost effectiveness, we may subcontract part of our construction services to subcontractors which are Independent Third Parties. As advised by our PRC Legal Advisers, main contractor of a construction project may subcontract part of the project to subcontractors which possess the relevant qualification when approval from the relevant customer is obtained. For construction projects the entire works of which are governed by a main contract, the main contractor shall be responsible for the quality of the whole construction project. If the main contractor subcontracts part of the project works to subcontractors, the subcontractors will be jointly and severally responsible for the quality of the construction works.

We did not engage any subcontractor during the Track Record Period.

In the event that we have to subcontract part of our construction work to subcontractors, we will select our subcontractors based on a number of factors including their qualification, their capability to complete the work within the time frame of our customers and their quality of work.

EMPLOYEES

As at 30 June 2013, we had a total of approximately full-time 489 employees that were directly employed by our Group. Set out below is a breakdown of the number of our employees by division:

Division	**Number of employees**
Management	19
Production	417
Procurement	4
Technical	11
Construction	13
Sales and marketing	8
Finance and administration	17
Total	**489**

We recruit our personnel from the open market and we enter into employment contracts with them. We offer competitive remuneration packages to our employees. We provide on-going technical and operational training to our employees.

In the PRC, in accordance with relevant national and local labour and social welfare laws and regulations, we are required to pay in respect of our employees in the PRC various social security funds including basic pension insurance, basic medical insurance, unemployment insurance, occupational injury insurance, hospital insurance and insurance for maternity leave. We are also required to go through housing provident fund registration with the local housing fund management center and open housing provident fund accounts for our employees in a bank. Our PRC Legal Advisers confirmed that we have complied with the relevant PRC labour law and regulations in material aspects.

During the Track Record Period, we had not experienced any strikes, work stoppages or labour disputes which affected our operations and we believe that we have maintained good working relations with our employees.

PROPERTIES

Owned properties

As at 31 August 2013, we owned three parcels of land in Yixing, the PRC with a total site area of approximately 70,900 sq.m. comprised an industrial complex of 14 single-storey to 6-storey workshops, offices, warehouses and various ancillary structures with a total gross floor area of approximately 41,400 sq.m.. We have obtained the land use rights certificates of the three parcels of land for terms expiring on 13 June 2057, 16 August 2056 and 31 October 2057 respectively for industrial use. We have obtained the building ownership certificates of all properties on the three parcels of land. As advised by our PRC Legal Advisers, we are the legal owner of all such properties.

As at 31 August 2013, we also owned a property in a 56-storey office and hotel building located in Yixing, the PRC with a total gross floor area of approximately 2,150 sq.m. for office use. The land use rights of the property were granted for a term of 40 years expiring in March 2050. We have obtained the building ownership certificates for the property. According to the PRC Legal Advisers, we are the legal owner of the property.

Leased properties

As at 31 August 2013, we leased an industrial workshop in a single-storey workshop building completed in 2010 with a gross floor area of approximately 23,000 sq.m. principally for prefabricated construction materials workshop use. We leased such property from an Independent Third Party for a term commencing on 1 January 2011 and expiring on 31 December 2013 at an annual rental of RMB3.3 million. We also leased an office in a 3-storey workshop building with a gross floor area of approximately 240 sq.m.. We leased such property from an Independent Third Party for a term commencing on 25 July 2012 and expiring on 25 July 2015 free of rental. Both properties located in Yixing, the PRC. We have registered the lease agreement with the relevant real estate administration authority in accordance with the relevant PRC laws and regulations. As advised by our PRC Legal Advisers, the tenancy is legal, valid and enforceable.

We leased an office in Hong Kong in a 65-storey office building with a gross floor area of approximately 210 sq.m.. We leased such property from an Independent Third Party for a term commencing on 1 June 2013 and expiring on 30 June 2015 at an annual rental of HK$1,656,000.

Exempt property interests

Pursuant to (i) Chapters 5 and 11 of the Listing Rules; and (ii) the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) (Amendment) Notice 2011, exempt property interests are not required to be the subject of a valuation report set out in a prospectus. Whether a property interest could be exempt depends on its carrying amount, in the case of property interests in respect of non-property activities, 15% of total assets, and in the case of property interests in respect of property activities, 1% of total assets (assuming they together do not exceed 10% of the total assets of the to-be-listed group). Operating leases are also exempt.

Our Directors have considered the requirements under Rules 5.01A and 5.01B of the Listing Rules when assessing whether any of our interest in the above properties is subject to the requirement to be set out in a valuation report in this prospectus.

Our Directors confirmed that, as at 30 June 2013, the latest audited consolidated balance sheet date, the carrying amount of the property interest owned by our Group and agreed to acquire is less than 15% of our total assets and no property interest owned by our Group is held for the purpose of carrying out property activities in compliance with Rule 5.01A(2) of the Listing Rules.

Our Directors confirm, pursuant to Rule 5.01B(2)(b) of the Listing Rules, that no single property interest in respect of our Group's non-property activities is of a carrying amount of 15% or more of our total assets as at 30 June 2013.

As at the Latest Practicable Date, our Directors confirm that no single property interest of our Group is material to our Group's total assets, and none of our property interests is individually material to us in terms of turnover contribution or rental expenses.

Accordingly, all of our Group's property interests are exempt from the requirement to be set out in this prospectus by way of a standalone valuation report.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we owned three registered utility model patents and had the exclusive right to use three registered invention patents and utility model patents pursuant to a licence agreement, and applied for the registration of two invention patents in the PRC.

We owned two registered trademarks in Hong Kong and applied for the registration of four trademarks in the PRC and one trademark in Hong Kong as at the Latest Practicable Date. The trademarks relate to our corporate name and logo.

As at the Latest Practicable Date, we are the registered owner of a domain name www.chinasaite.com.cn.

Further details of our intellectual property rights are set out in the paragraph headed "Intellectual property rights of our Group" in Appendix V to this prospectus.

Major patents which are exclusively licensed to us for use in our operations pursuant to a licence agreement as at the Latest Practicable Date

	Patent	Type	Nature and usage	Name of licensor	Licence period	Licence fee
1.	大型單元裝配式夾芯裝飾板 (Large unit assembled sandwich decoration board)	Invention	It is a prefabricated wall panel which comprises metal front-panels and an inner layer between such panels. It can be used as internal or external wall of factories, exhibition halls, or commercial or residential buildings. It can also be used as the exterior of buildings for decorative purposes.	江蘇金砼預製裝配建築發展有限公司	1 August 2012 to 5 June 2027	Nil
2.	預製組裝式保溫牆體 (Prefabricated assembly type heat insulated wall)	Utility	It is a prefabricated heat-insulating wall with T-shaped steel tubes connected with reinforcing bars buried at the four corners of the prefabricated wall. It is used in the hoisting assembly of large area wall panels and as internal or external wall of prefabricated construction projects.	江蘇金砼預製裝配建築發展有限公司	1 August 2012 to 30 May 2019	Nil

	Patent	Type	Nature and usage	Name of licensor	Licence period	Licence fee
3.	柱、樑、牆一體預製內保溫牆體 (Integrated prefabricating thermal insulation wall by pillar, girder and wall)	Utility	It is a prefabricated heat-insulating wall with the load-bearing components of the four edges of the wall configured according to the requirements of the girder and the pillar. It contains connecting pieces which enable buildings to be assembled in a more efficient manner and without the need for on-site assembly of pillars and girders.	江蘇金砼預製裝配建築發展有限公司	1 August 2012 to 27 December 2019	Nil

The major patents that were used in all of our prefabricated construction projects include 大型單元裝配式夾芯裝飾板 (Large unit assembled sandwich decoration board), 預製組裝式保溫牆體 (Prefabricated assembly type heat insulated wall) and 柱、樑、牆一體預製內保溫牆體 (Integrated prefabricating thermal insulation wall by pillar, girder and wall). All of these patents are developed by two of our existing employees, being father and son, with the support from us by providing research materials, equipment and factory premises during the course of development of the licensed patents, and are currently registered under a company owned by the son and his relatives. To encourage invention, we agreed that the patents could be registered under the name of our employees or entities owned by them, while, the exclusive rights to use such patents with no licensing fee have to be remained with us. We entered into a licence agreement on 1 August 2012 to substantiate such agreement.

Pursuant to the licence agreement dated 1 August 2012, we are given an exclusive right to use the licensed patents during their respective licence periods and a right to allow any third party to use these patents once notice is given to the licensor. Unless a written consent is obtained from us, the licensor is not allowed to transfer the licensed patents to third parties. The licensor has the right to terminate such licence agreement in the event that Saite Steel (Jiangsu) has a material breach to the licence agreement or force majeure event occurred for a period longer than six months. The licensor agreed not to claim against us for the use of the licensed patents before entering into such licence agreement in August 2012.

Since we are given the exclusive right to use the licensed patents during their respective licence periods with no licensing fee, we have no plan to acquire the patents from the licensor. Further, the licenced patents are only used in prefabricated construction projects and we are planning to develop new patents by upgrading the existing licensed patents under our own name in the near future. With the continuous evolution of new techniques and materials, our Directors believe that application of the licensed patents would gradually obsolete and thus our reliance on the licensed patents will be reduced in the future.

Further details of our intellectual property rights is set out in the paragraph headed "Intellectual property rights of our Group" in Appendix V to this prospectus.

On the basis that, (i) Saite Steel (Jiangsu) has entered into the licence agreement with the licensor pursuant to which it was granted an exclusive right to use the licensed patents for long term (the licence periods are till 30 May 2019, 27 December 2019 and 5 June 2027 respectively); (ii) the licensed patents are only used in part of the construction projects of the Group, namely the prefabricated construction projects; (iii) the capability of the Group to develop new technologies which is demonstrated by the registration of three new patents and the application for registration of two new patents developed by the Group; and (iv) the Group's current plan to develop new patents by upgrading the existing licensed patents under their own name, the Joint Sponsors are of the view that the reliance on the licensed patents owned by third parties will not affect our suitability for listing.

COMPETITION

We face intense competition in the PRC steel structure construction industry. According to the Ipsos Report, the steel structure construction industry in the PRC is fragmented with close to 10,300 players in the PRC in 2012. The top five steel structure construction service providers in the PRC accounted for less than 10% of the total market share in terms of revenue in the PRC in 2012, while the top five steel structure construction service providers in Jiangsu Province accounted for approximately 15% of the total market share in terms of revenue in Jiangsu Province in 2012. While the industry is characterised to have many players, according to the Ipsos Report, our Group was the third largest steel structure construction service provider in Jiangsu Province in terms of revenue in 2012. Prefabricated construction industry in the PRC is still at its early stage of development. We were the second largest prefabricated construction service provider in Jiangsu Province in terms of revenue in 2012. Further details of the competition landscape of our business are set out in the paragraph headed "Competition landscape" in the section headed "Industry overview" in this prospectus.

New entrants to the PRC steel structure construction industry face various entry barriers when entering into the industry, according to the Ipsos Report. Firstly, licence is needed for an enterprise to enter into the industry, and the new entrants shall pass the assessment based on their size of capital, quality of technology personnel, production capacity, etc.. Secondly, developers and main contractors tend to cooperate with steel construction companies with high brand awareness. Therefore, it is hard to make them switched to new entrants, unless they have been proved to possess the qualities they look for. Thirdly, setting up and operating a steel construction business requires high capital investment to support the costs of raw materials, technology, equipment and production.

We believe the following competitive strengths may allow us to compete effectively with our major competitors:

- We are one of the largest steel structure construction service providers in Jiangsu Province with proven track record and solid reputation.

- We are well prepared and positioned to capture new opportunities in the growing PRC prefabricated construction industry.

- Our broad scope of services offered and proven project management abilities allow us to compete for a wide range of projects.

- We have an experienced and dedicated management team with strategic vision.

Further details of our competitive strength are set out in the paragraph headed "Our competitive strengths" in the section headed "Business" in this prospectus.

INSURANCE

We purchase personal injuries insurance for our employees and property insurance for our workshops. We believe that our insurance coverage is consistent with industry and regional practice and is adequate and appropriate for our operations.

The main contractor or property owner of a construction project usually obtain the construction project all-risks insurance for the overall construction project, which covers our construction work. The construction project all-risks insurance typically covers damages of equipment, materials and other on-site properties and third party liability insurance. The insurance period is from commencement of the construction to the receipt of completion and inspection certificate of the project or the occupancy or the acceptance and use of the properties.

During the Track Record Period and up to the Latest Practicable Date, no incident had occurred as a result of which we would have to make any significant claims under these insurance policies.

ENVIRONMENTAL MATTERS

We are subject to environmental laws and regulations of the PRC. We believe the volume of wastes we discharge is relatively minor and does not have a material impact on the surrounding environment. A summary of the PRC environmental laws and regulations is set out in the section headed "Regulations" in this prospectus. We did not incur any environmental compliance costs during the Track Record Period.

Our Directors, as advised by our PRC Legal Advisers and based on the confirmations issued by the relevant governmental authorities, have confirmed that there was no violation of applicable environmental laws and regulations by us during the Track Record Period which are likely to have a material adverse impact on the ordinary course of our business. During the same period, we had not received any material claims against us involving non-compliance with any applicable environmental laws or regulations.

LABOUR, HEALTH AND SAFETY MATTERS

We are subject to laws and regulations relating to labour, health and safety in the PRC. A summary of the PRC labour, health and safety laws and regulations is set out in the section headed "Regulations" in this prospectus. We place great emphasis on safety and the avoidance of accidents on work sites, in relation to which we have established policies, measures and procedures to prevent a wide range of potential hazards. We have implemented safety policies, measures and procedures on our work sites as follows:

- for every project, we have at least one on-site project safety staff responsible for daily supervision of project safety;

- we hold regular meetings with third party installation team, to review safety issues and discuss solutions for safe construction;

- on-site safety instructions manual are provided to on-site workers and regular safety interviews are arranged for on-site workers to increase their safety awareness;

- we conduct regular inspections on the safety measures for fire prevention, power utilisation, and equipment usage; and

- we have set up emergency plans as guidelines for safely and effectively reacting to various emergencies.

Due to the nature of our operations, our employees or installation workers may be involved in accidents resulting in casualties from time to time. During the Track Record Period and up to the Latest Practicable Date, we had not incurred any material liabilities as a result of any accidents involving our employees or subcontractors or installation workers. Our Directors have confirmed that there was no material violation of applicable labour, health and safety laws and regulations by us during the Track Record Period and up to the Latest Practicable Date.

LEGAL PROCEEDINGS AND MATERIAL CLAIMS

We may be involved in litigation or other legal proceedings in the ordinary course of our businesses. During the Track Record Period, our employees or third party installation workers only suffered from minor injuries such as scratches and bruises. No written complaint and no compensation request from our employees, the third party installation workers in relation to those accidents has been received by us. As at the Latest Practicable Date, there was no legal or arbitration proceedings, pending or threatened against us that could have a material adverse effect on our financial condition or results of operations.

REGULATORY COMPLIANCE

As advised by our PRC Legal Advisers, as at the Latest Practicable Date, we had duly obtained approvals, permits, consents, licences and registrations relating to our incorporation and necessary for the conduct of our business and all of them are presently in force. Our PRC Legal Advisers have also confirmed that, we had not contravened any of the material laws and regulations in the PRC, save as disclosed in the paragraphs headed "Regulations on Construction Enterprises with Foreign Investment" and "Non-Compliant Bill Financing" below. Laws and regulations applicable to our operations in the PRC are set out in the section headed "Regulations" in this prospectus.

REGULATORY NON-COMPLIANCE

Regulations on Construction Enterprises with Foreign Investment

Background

According to the Construction FI Regulations, only domestic enterprises or sino-foreign equity joint ventures (with the investment of the Chinese investor being not less than 25% of its registered capital) can undertake construction projects within its authorised scope in respect of its qualification. Moreover, pursuant to article 15 of the Construction FI Regulations, a WFOE is only allowed to undertake the following types of construction projects: (i) foreign invested and/or granted projects; (ii) foreign financial institutions subsidised projects and awarded by international tender according to financing provisions; (iii) sino-foreign cooperation projects where the foreign investment is not less than 50%, or where the foreign investment is less than 50% and approved by the relevant PRC construction authority that it is unable to execute independently by PRC construction enterprise due to technical difficulty; and (iv) PRC invested and sino-foreign cooperation projects where it had been approved by the relevant PRC construction authority that it is unable to execute independently by PRC construction enterprise due to technical difficulty.

From November 2005 to September 2007, Saite Steel (Jiangsu) was a domestic enterprise which could undertake steel structure construction projects within its authorised scope as a Grade One Steel Structure Engineering Professional Contractor, which allows us to undertake all kinds of steel structure projects without limitation in span, contract sum, construction area or total weight of construction. In or about 2007 when we were exploring the possibility of conducting a listing exercise in Singapore, which eventually did not proceed with and no listing application had ever been made to the Singapore Exchange Limited, Saite Steel (Jiangsu) was changed from a domestic enterprise to a WFOE as part of the preparatory work on 25 September 2007. Further details of such arrangements are set out in the paragraph headed "Companies comprising our Group" in Appendix V to this prospectus. Saite Steel (Jiangsu) had duly made an application to the Jiangsu Department of Housing for the change of its 建築業企業資質證書 (Qualification Certificate of Construction Enterprise). Since such change to its 建築業企業資質證書 (Qualification Certificate of Construction Enterprise) had been approved by the Jiangsu Department of Housing and that Saite Steel (Jiangsu) had passed every annual inspection by the Jiangsu Department of Housing after its change to a WFOE where Saite Steel (Jiangsu) had submitted the information of the projects that it had completed during the reporting period to the Jiangsu Department of Housing as required, the director and senior management of Saite Steel (Jiangsu) considered that Saite Steel (Jiangsu) could continue to undertake projects like those Saite Steel (Jiangsu) undertook before its change of corporate status to a WFOE. Therefore, Saite Steel (Jiangsu) had continued to undertake projects that were only allowed for domestic enterprises or sino-foreign equity joint ventures (with the investment of the Chinese investor being not less than 25% of its registered capital). Our Directors confirmed that the breach of the Construction FI Regulations was inadvertent.

During the due diligence exercise by the Joint Sponsors and the professional parties for preparation of the submission of listing application form to the Stock Exchange in 2012, we revisited our compliance with applicable laws and regulations with the assistance of professional parties. According to our PRC Legal Advisers, we shall comply with the 建築業企業資質管理規定 (Administrative Provisions on the Qualifications of Enterprises in the Construction Industry) to obtain a valid 建築業企業資質證書 (Qualification Certificate of Construction Enterprise) to undertake construction projects in the PRC as well as the Construction FI Regulations to undertake those types of construction projects which are allowed to be undertaken as a WFOE. As confirmed by our PRC Legal Advisers, we hold valid 建築業企業資質證書 (Qualification Certificate of Construction Enterprise) to undertake all kinds of steel structure projects in the PRC. However, we were advised by our PRC Legal Advisers that, as a WFOE, we failed to comply with Article 15 of the Construction FI Regulations when undertaking projects that were only allowed for domestic enterprises or sino-foreign equity ventures since September 2007. Hence, Saite Steel (Jiangsu) undertook a reorganisation to become to a sino-foreign equity joint venture on 2 July 2012.

Confirmation from relevant government authority

In June 2012, we conducted meetings with the Jiangsu Department of Housing to report and consult with them regarding the non-compliance of Construction FI Regulations from 25 September 2007 when Saite Steel (Jiangsu) became a WFOE. Our non-compliance of Construction FI Regulations took place from 25 September 2007 to 2 July 2012 ("**Historical Non-Compliance Period**"). The Jiangsu Department of Housing confirmed in its letters dated 10 December 2012 ("**10 December Confirmation**") and 22 February 2013 ("**22 February Confirmation**"), (i) although Saite Steel (Jiangsu) was in breach of article 15 of the Construction FI Regulations, it did not engage in construction activities beyond its authorised scope as a Grade One Steel Structure Engineering Professional Contractor, and had submitted the annual statistics and the annual report which contains the information of the projects undertaken by Saite Steel (Jiangsu) in the preceding year in accordance with the relevant rules and regulations, and it had passed each of the annual inspections in respect of its qualification of Grade One Steel Structure Engineering Professional Contractor, including during the Historical Non-Compliance Period; (ii) it was fully aware of the change of Saite Steel (Jiangsu) to a WFOE in September 2007 and the projects that Saite Steel (Jiangsu) had undertaken during the Historical Non-Compliance Period; (iii) it was fully aware that Saite Steel (Jiangsu) has undergone a corporate restructuring in July 2012 at its own initiative to become a sino-foreign equity joint venture and it could undertake any construction project within its authorised scope as a Grade One Steel Structure Engineering Professional Contractor; (iv) no administrative penalty or punishment had been imposed on Saite Steel (Jiangsu) in relation to the non-compliance of Construction FI Regulations since the incorporation of Saite Steel (Jiangsu), including during the Historical Non-Compliance Period; (v) although Saite Steel (Jiangsu) was in breach of article 15 of the Construction FI Regulations, it did not engage in construction activities beyond its authorised scope as a Grade One Steel Structure Engineering Professional Contractor, and there is no sufficient ground to penalise Saite Steel (Jiangsu) under the article 20 of the Construction FI Regulations; and (vi) the Jiangsu Department of Housing would not impose any administrative penalty or punishment on Saite Steel (Jiangsu) in relation to the non-compliance of Construction FI Regulations, including monetary penalty, order to suspend operation, downgrade or disqualification of Grade One Steel Structure Engineering Professional Contractor qualification or confiscation of profits obtained from the non-compliance acts.

The Jiangsu Department of Housing is the direct supervising construction administration authority of Saite Steel (Jiangsu). The Jiangsu Department of Housing has confirmed in the 22 February Confirmation that, (i) upon issue of the 10 December Confirmation, it had already reported its decisions set out in the 10 December Confirmation to the Ministry of Housing by copying the 10 December Confirmation to the Ministry of Housing, and; (ii) the Ministry of Housing has not raised any objection to the 10 December Confirmation.

Our Directors believe that we cannot obtain any internal correspondence between the Ministry of Housing and the Jiangsu Department of Housing, including any written confirmation if given by the Ministry of Housing to the Jiangsu Department of Housing, in this regard. Our PRC Legal Advisers also confirmed that the PRC authorities do not have any obligation to disclose such information or document to us according to relevant PRC laws and regulations.

We are advised by our PRC Legal Advisers that:

- the supervising construction administration authority (建設行政主管部門), which includes the Ministry of Housing and its local authorities, such as the Jiangsu Department of Housing (which is the highest provincial supervising construction administration authority in Jiangsu Province) is the only authority responsible for the supervision of the compliance of article 15 of the Construction FI Regulations by the foreign invested construction enterprises. No other authority, including the Ministry of Commerce, is responsible for the supervision of the compliance of article 15 of the Construction FI Regulations, nor has the power to revoke the 10 December Confirmation;

- the Jiangsu Department of Housing is the highest authority in Jiangsu Province which is responsible for the supervision of the compliance with article 15 of the Construction FI Regulations by foreign invested construction enterprises. The Jiangsu Department of Housing is the highest authority which has power to directly investigate, penalise or make punishment recommendation to the Ministry of Housing in relation to any breach of the laws and regulations of the construction industry in Jiangsu Province. As confirmed by the Jiangsu Department of Housing in the 22 February Confirmation, although Saite Steel (Jiangsu) was in breach of article 15 of the Construction FI Regulations, it did not engage in construction activities beyond its authorised scope as a Grade One Steel Structure Engineering Professional Contractor. As such, it decided that there was no sufficient ground to penalise Saite Steel (Jiangsu) under the Construction FI Regulations, so it did not punish Saite Steel (Jiangsu) and decided that it did not need to make any punishment recommendation to the Ministry of Housing;

- the Jiangsu Department of Housing is supervised by the Ministry of Housing at the national level. However, as confirmed by the Jiangsu Department of Housing, it has already reported its decision of not to penalise Saite Steel (Jiangsu), the issuance of the 10 December Confirmation and the 22 February Confirmation and copied the same to the Ministry of Housing. The Jiangsu Department of Housing further confirmed that the Ministry of Housing has knowledge of the issuance of the confirmation letters and it has not raised any objection to the decision of the Jiangsu Department of Housing. The risk of the Ministry of Housing, which is the only higher authority of the Jiangsu Department of Housing, revoking the confirmation letters issued by the Jiangsu Department of Housing is minimal; and

- according to article 5 of the Construction FI Regulations and the written confirmation issued by the Jiangsu Department of Housing, the Jiangsu Department of Housing is the most appropriate and competent government authority to administer the relevant Construction FI Regulations, therefore shall be the government authority to be approached and consulted with on this matter.

Penalty regime of Construction FI Regulations and opinion from our PRC Legal Advisers

According to article 20 of the Construction FI Regulations and with reference to the written confirmation of the Jiangsu Department of Housing, our PRC Legal Advisers advised that, construction enterprises which failed to comply with article 15 of the Construction FI Regulations and engaged in construction activities beyond its authorised scope in respect of its qualification, could be subject to monetary penalty in the amount of 2% to 4% of the value of the construction projects involved, order to suspend operation, downgrade of qualification awarded and in cases of serious breach, disqualification of qualification awarded and confiscation of profits obtained from unlawful proceeds.

Based on the written confirmation obtained from the Jiangsu Department of Housing, our PRC Legal Advisers are of the view that Saite Steel (Jiangsu) has breached article 15 of the Construction FI Regulations during the Historical Non-Compliance Period; however, Saite Steel (Jiangsu) did not engage in construction activities beyond its authorised scope as a Grade One Steel Structure Engineering Professional Contractor and those profits derived from projects which did not comply with article 15 of the Construction FI Regulations were lawful profits obtained through their completion of projects in accordance with the contracts with its customers. Therefore, the revenue contributed from these projects would not be treated as unlawful proceeds by the relevant competent PRC government authorities, and the Jiangsu Department of Housing would not confiscate such revenue obtained from these projects. Also, our Group would not be liable to such other penalty, including monetary penalty, order to suspend operation, downgrade or disqualification of Grade One Steel Structure Engineering Professional Contractor qualification. Furthermore, our PRC Legal Advisers advised that, since article 20 of the Construction FI Regulations only imposes penalty on the construction enterprises instead of the individuals, none of the directors and senior management of our Group will be liable for any administration penalty in relation to the non-compliance of article 15 of the Construction FI Regulations.

According to the written confirmation of the Jiangsu Department of Housing, the Jiangsu Department of Housing has decided not to punish Saite Steel (Jiangsu) as there was no sufficient ground to penalise Saite Steel (Jiangsu) under article 20 of the Construction FI Regulations (on the basis that Saite Steel (Jiangsu) was in breach of article 15 of the Construction FI Regulations but it did not engage in construction activities beyond its authorised scope as a Grade One Steel Structure Engineering Professional Contractor, and both incriminating factors shall be established to penalise Saite Steel (Jiangsu) under article 20 of the Construction FI Regulations), and decided that it did not need to make any punishment recommendation to the Ministry of Housing. Accordingly, our Directors confirmed that there is no potential monetary penalty or liability which may be imposed on our Group.

Further, on 19 June 2013, our Company, together with our PRC legal advisers and the PRC legal advisers to the Joint Sponsors, met with a director of Construction Industry Supervision Department of the Ministry of Housing at the Ministry of Housing in Beijing, who confirmed that, (i) as Saite Steel (Jiangsu) did not engage in construction activities beyond its authorised scope as a Grade One Steel Structure Engineering Professional Contractor, it shall not be subject to any administrative penalty or punishment as a result of its non-compliance of article 15 of the Construction FI Regulations; (ii) the Ministry of Housing would not impose administrative penalty on construction enterprises directly and; (iii) the Ministry of Housing would not revoke, cancel, change or order the provincial department of housing to correct the confirmation that they issued unless serious product quality or safety incident arise in the relevant construction enterprise and have caused grave consequence on the society. Our Directors and our PRC Legal Advisers confirmed that there has not been any serious product quality or safety incident which have caused grave consequence on the society arose in our Group in the past. Accordingly, our PRC Legal Advisers have no reason to believe that the Ministry of Housing would revoke the written confirmation issued by the Jiangsu Department of Housing in relation our non-compliance of article 15 of the Construction FI Regulations.

Strengthening our corporate governance measures

In view of the historical non-compliance incidents, our executive Directors and senior management have attended additional training course on 14 January 2013.

We have established a system to ensure the management and our relevant personnel have sufficient up-to-date knowledge of relevant laws and regulations. Under such system, one of our staff with legal qualifications in the PRC (the "**Legal Staff**") shall constantly review and keep track of changes to the laws, regulations and government policies applicable to our business. Whenever there are changes to any of such laws, regulations or government policies, our Legal Staff shall inform our Directors and members of the management in charge of our construction projects of such changes and the implications thereof by email and written notice as soon as practicable and, where our Directors consider necessary, conduct a briefing on such changes to our executive Directors and members of the management in charge of our construction projects (the "**Relevant Personnel**"). Moreover, we will organise seminars to be attended by the Relevant Personnel semi-annually on a compulsory basis for each of the two full financial years after Listing disregard whether there will be any changes to the relevant PRC laws and regulations. Thereafter, training session would be held when there is a change or update to the relevant PRC laws and regulations. For the first financial year after Listing, our compliance will be monitored by our compliance adviser. For the second financial year after Listing, the training sessions to be organised will ensure that our Directors have up-to-date knowledge on PRC laws and regulations relevant to our business. Such seminars will be conducted by our Legal Staff or an external lawyer with the aims to (i) refresh the Relevant Personnel's knowledge of the major laws, regulations and government policies applicable to our business; and (ii) update them on any changes thereto. A report on the operation of this system will be submitted to all our independent non-executive Directors every year, which will include (i) a summary of the laws, regulations and government policies applicable to our business and any material changes thereto; and (ii) the record of holding of the semi-annual seminar and the attendance records of the Relevant Personnel to such seminars.

We will disclose in our first and second annual reports after Listing a summary on the operation of this system, which will include a brief description of the major changes in the laws and regulations applicable to our business, the number of briefings and training seminars conducted and attendance records of the Relevant Personnel to such seminars.

Personnel involved

Mr. Shan Jinwen, the deputy general manager who is responsible for the sales and marketing activities, Mr. Shao Xiaoqiang and Mr. Jiang, our executive Directors, are the personnel involved in approving the steel structure projects of Saite Steel (Jiangsu) during the Historical Non-Compliance Period. The Joint Sponsors are of the view that Mr. Shao Xiaoqiang and Mr. Jiang have the character, experience, competence and integrity required for a Director under Rules 3.08 and 3.09 of the Listing Rules on the following bases: (a) the belief of Saite Steel (Jiangsu) could continue to undertake projects like those it undertook before its change of corporate status to a WFOE was based on the obtaining of approval of change of its 建築業企業資質證書 (Qualification Certificate of Construction Enterprise) by the Jiangsu Department of Housing and the passing of every annual inspection by the Jiangsu Department of Housing after its change to a WFOE where Saite Steel (Jiangsu) had submitted the information of the projects that it had completed during the report period to the Jiangsu Department of Housing as required; (b) the advice of our PRC Legal Advisers that based on the written confirmation from the Jiangsu Department of Housing, we would not be liable for any administrative liability and the Jiangsu Department of Housing would not impose any administrative penalty on Saite Steel (Jiangsu) due to the non-compliance of the Construction FI Regulations. Furthermore, no administrative penalty against the relevant directors and senior management in relation to the non-compliance of the Construction FI Regulations is promulgated under the current laws and regulations; (c) as at the Latest Practicable Date, to the best of our knowledge having made reasonable enquiry, there were no legal proceedings against Mr. Shao Xiaoqiang or Mr. Jiang in the PRC and Hong Kong; (d) the confirmation from our PRC Legal Advisers that our Group had not contravened any of the material laws and regulations in the PRC, save as disclosed in the paragraph headed "Regulatory non-compliance" in this section; (e) substantial experience of both Mr. Shao Xiaoqiang and Mr. Jiang in the steel structure industry in the PRC; and (f) the attendance by Mr. Shao Xiaoqiang and Mr. Jiang of training course in the areas of PRC laws and regulations as disclosed in the paragraph headed "Strengthening our corporate governance measures" above.

Indemnity from our Controlling Shareholders

Our Controlling Shareholders have undertaken to fully indemnify us from any and all liabilities arising from the non-compliance with article 15 of the Construction FI Regulations.

Summary of non-compliance in relation to Construction FI Regulations

Details of non-compliance	Non-compliance with the PRC laws and regulations	Rectification actions taken	Confirmation from relevant government authority	Personnel involved in the non-compliance
Saite Steel (Jiangsu) became a WFOE after the transfer of its registered capital from Mr. Jiang Jinhe and Mr. Jiang to Site Holdings in September 2007. After such transfer, Saite Steel (Jiangsu) continued to undertake projects that were only allowed for domestic enterprises or sino-foreign equity joint ventures (with the investment of the Chinese investor being not less than 25% of its registered capital), therefore had failed to comply with the Construction FI Regulations.	Pursuant to article 15 of the Construction FI Regulations, a WFOE is only allowed to undertake the following kinds of projects within its authorised scope in respect of its qualification: (i) foreign invested and/or granted projects; (ii) foreign financial institutions subsidised projects and awarded by international tender according to financing provisions; (iii) sino-foreign cooperation projects where the foreign investment is not less than 50%, or where the foreign investment is less than 50% and approved by the relevant PRC construction authority that it is unable to execute independently by PRC construction enterprise due to technical difficulty; and	As only domestic enterprises or sino-foreign equity joint ventures (with the investment of the Chinese investor being not less than 25% of its registered capital) can undertake construction projects within its authorised scope in respect of its qualification, Saite Steel (Jiangsu) has undergone a corporate restructuring in July 2012 at its own initiative to become a sino-foreign equity joint venture and it could undertake any construction project within its authorised scope as a Grade One Steel Structure Engineering Professional Contractor. Further details of our Reorganisation are set out in the section headed "Reorganisation" in this prospectus.	In June 2012, we conducted meetings with the Jiangsu Department of Housing to report and consult with them regarding the non-compliance of Construction FI Regulations from 25 September 2007 when Saite Steel (Jiangsu) became a WFOE. The Jiangsu Department of Housing confirmed in the 10 December 2012 confirmation that, (i) although Saite Steel (Jiangsu) was in breach of article 15 of the Construction FI Regulations, it did not engage in construction activities beyond its authorised scope as a Grade One Steel Structure Engineering Professional Contractor, and had submitted the annual statistics and the annual report which contains the information of the projects undertaken by Saite Steel (Jiangsu) in the preceding year in accordance with the relevant rules and regulations, and it had passed each of the annual inspections in respect of its qualification of Grade One Steel Structure Engineering Professional Contractor, including during the Historical Non-Compliance Period; (ii) it was fully aware of the change of Saite Steel (Jiangsu) to a WFOE in September 2007 and the projects that Saite Steel (Jiangsu) had undertaken during the Historical Non-Compliance Period; (iii) it was fully aware that Saite Steel (Jiangsu) has undergone a corporate restructuring in July 2012 at its own initiative to become a sino-foreign equity joint venture and it could undertake any construction project within its authorised scope as a Grade One Steel Structure Engineering Professional Contractor; (iv) no administrative penalty or punishment had been imposed on Saite Steel (Jiangsu) in relation to the non-compliance of Construction FI Regulations since the incorporation of Saite Steel	Mr. Shan Jinwen who is the deputy general manager responsible for the sales and marketing activities, Mr. Shao Xiaoqiang, and Mr. Jiang, our executive Directors.

Details of non-compliance	Non-compliance with the PRC laws and regulations	Rectification actions taken	Confirmation from relevant government authority	Personnel involved in the non-compliance
	(iv) PRC invested and sino-foreign cooperation projects where it had been approved by the relevant PRC construction authority that it is unable to execute independently by PRC construction enterprise due to technical difficulty.		(Jiangsu), including during the Historical Non-Compliance Period; (v) although Saite Steel (Jiangsu) was in breach of article 15 of the Construction FI Regulations, it did not engage in construction activities beyond its authorised scope as a Grade One Steel Structure Engineering Professional Contractor, and there is no sufficient ground to penalise Saite Steel (Jiangsu) under the article 20 of the Construction FI Regulations; and (vi) the Jiangsu Department of Housing would not impose any administrative penalty or punishment on Saite Steel (Jiangsu) in relation to the non-compliance of Construction FI Regulations, including monetary penalty, order to suspend operation, downgrade or disqualification of Grade One Steel Structure Engineering Professional Contractor qualification or confiscation of profits obtained from the non-compliance acts.	
	As confirmed by our PRC Legal Advisers, we hold a valid 建築業企業資質證書 (Qualification Certificate of Construction Enterprise) to undertake all kinds of steel structure projects in the PRC. However, we were advised by our PRC Legal Advisers that, as a WFOE, we failed to comply with Article 15 of the Construction FI Regulations when undertaking projects that were only allowed for domestic enterprises or sino-foreign equity ventures (with the investment of the Chinese investor being not less than 25% of its registered capital) since September 2007.		The Jiangsu Department of Housing is the direct supervising construction administration authority of Saite Steel (Jiangsu). The Jiangsu Department of Housing has confirmed in the 22 February Confirmation that, (i) upon issue of the 10 December Confirmation, it had already reported its decisions set out in the 10 December Confirmation to the Ministry of Housing by copying the 10 December Confirmation to the Ministry of Housing, and; (ii) the Ministry of Housing has not raised any objection to the 10 December Confirmation.	

Non-Compliant Bill Financing

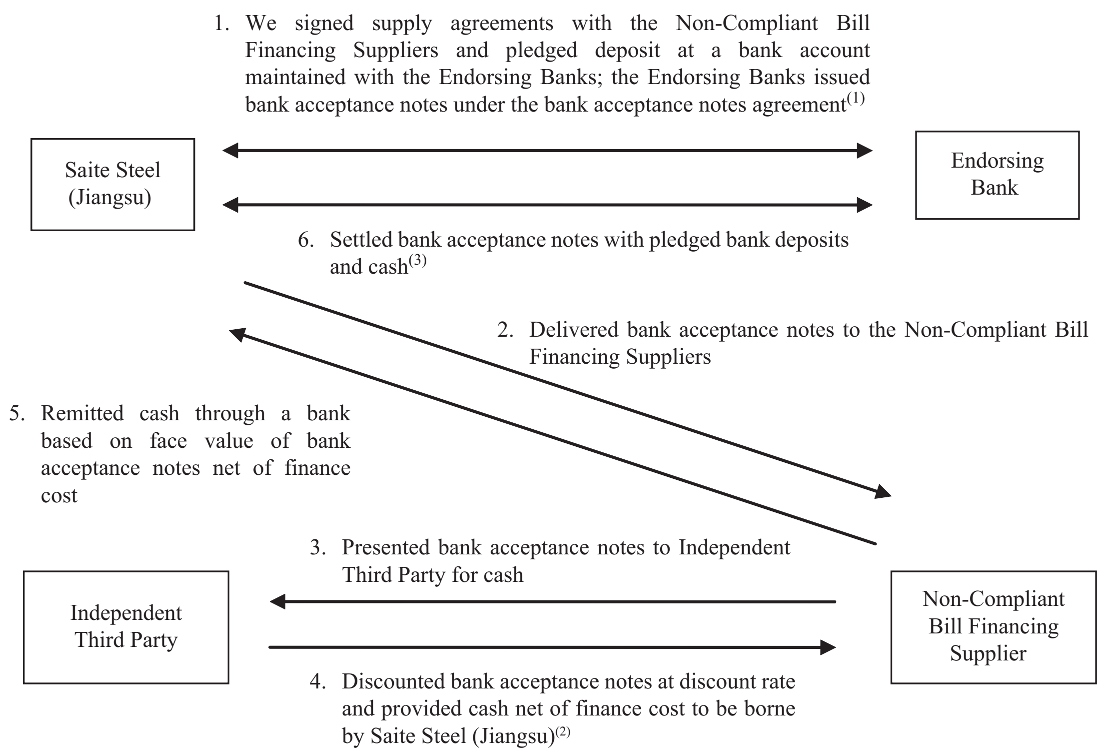
Background

From February 2008 to October 2010, we entered into bank acceptance notes agreements with five branches of four commercial banks in the PRC ("**Endorsing Banks**") for issuance of bank acceptance notes with a term of around six months to two of our suppliers as payment for our purchases from such suppliers ("**Non-Compliant Bill Financing Suppliers**"). The bank acceptance notes agreements generally include provisions relating to the terms of the issuance of bank acceptance notes. We can issue bank acceptance notes to our suppliers for a stipulated amount under the bank acceptance notes agreement as payment for our purchases of raw materials. Under such agreements, we were required to pledge certain deposits with the Endorsing Banks in the range of 50% to 100% of the face value of the bank acceptance notes to be issued by us except in two occasions where deposits were not required but guarantees were provided to the relevant Endorsing Banks by a director of Saite Steel (Jiangsu). As at 31 December 2009 and 2010, the aggregate amount of pledged deposits for the issuance of such bank acceptance notes were approximately RMB10 million and RMB7 million, respectively. At any time prior to the maturity date, the bank acceptance notes may be presented by our suppliers to PRC commercial banks for discounting or endorsement to a third party for payment of goods or services. Such suppliers will obtain an amount equal to the face value of the bank acceptance notes after deducting discounted charges. At maturity, the bank acceptance notes may be presented to the relevant Endorsing Bank for settlement. We were required to repay the remaining balance of the face value of the issued bank acceptance notes after deduction of the pledged deposits to the Endorsing Banks upon maturity of the relevant bank acceptance notes. Our Directors have confirmed that all required pledged deposits were maintained with the Endorsing Banks at all times during the period and all remaining amounts of the bank acceptance notes issued by us during the same period were paid to the Endorsing Banks on or before their maturity dates.

Non-compliance with the PRC laws and regulations

After considering our relationship with the commercial banks involved and the discount rates of bank acceptance notes were considered lower than the then prevailing interest rates for short-term bank loans we could obtain during 2009 to 2010, to take advantage of these lower interest rates, we obtained funds through issuing such bank acceptance notes to one of our suppliers but used the proceeds for purposes other than the payment of the purchases from the Non-Compliant Bill Financing Suppliers ("**Non-Compliant Bill Financing**"), which did not comply with the terms of the bank acceptance notes agreements and Article 10 of the PRC Negotiable Instruments Law.

The diagram below illustrates the typical procedures of a Non-Compliant Bill Financing arrangement:



Notes:

(1) Face value of the bank acceptance notes was accounted for as note payables to supplier. Except on two occasions where deposits were not required, deposits were generally pledged with the Endorsing Banks in the range of 50% to 100% of face value of the bank acceptance note and was accounted for as pledged bank deposit.

(2) The relevant discount charges were recognised as finance costs in our consolidated financial statements during the relevant period.

(3) Bank acceptance notes were typically settled within six months from the date of issuance. Upon maturity, Saite Steel (Jiangsu) repaid the face value of the bank acceptance notes after deduction of the pledged deposit.

The principal reason for our Non-Compliant Bill Financing arrangements was to lower our overall financing costs. Under these arrangements, Saite Steel (Jiangsu) opened accounts and pledged deposits with four Endorsing Banks, which in turn issued bank acceptance notes to us at certain face values. The amount of pledged deposits required by the Endorsing Banks was generally less than the face value of the bank acceptance notes issued. As a result, the amount of our pledged bank deposits was lower in aggregate than the total face value of the bank acceptance notes. These bank acceptance notes typically have a term of around six months. The Non-Compliant Bill Financing Suppliers may present such notes to other PRC commercial banks for discounting to obtain an amount equal to the face value of the bank acceptance notes after deducting discounting charges for remittance to Saite Steel (Jiangsu). Such bank acceptance notes were ultimately settled by Saite Steel (Jiangsu) with the Endorsing Banks by deducting the pledged deposit and the remaining face value of the bank acceptance notes against the bank account of Saite Steel (Jiangsu).

To the best knowledge and belief of our Directors, the Non-Compliant Bill Financing Suppliers were willing to engage in the Non-Compliant Bill Financing arrangements because of their stable business relationships with our PRC subsidiary, Saite Steel (Jiangsu), and were willing to advance funds to us to meet our working capital needs. Our Directors confirmed that, except the Non-Compliant Bill Financing arrangements, we had not been involved in any similar bill financing arrangement for the benefit of the Non-Compliant Bill Financing Suppliers during the Track Record Period. Our Directors and the Non-Compliant Bill Financing Suppliers confirmed that they or any of their respective directors or associates did not receive any amount as rebate or benefits in connection with the Non-Compliant Bill Financing arrangements during the Track Record Period. Our PRC Legal Advisers have confirmed that the Non-Compliant Bill Financing arrangements did not constitute fraudulent activities with negotiable instruments for the purpose of illegal possession as prescribed under 中華人民共和國刑法 (Criminal Law of the PRC) ("**PRC Criminal Law**") and the PRC Negotiable Instruments Law.

Effect on our financial position

The total face value of the bank acceptance notes issued under the Non-Compliant Bill Financing arrangements amounted to RMB85.0 million and RMB25.0 million for the two years ended 31 December 2010 respectively, out of which RMB60.0 million and RMB17.0 million were deposited with the relevant Endorsing Banks as pledged deposits, and the balance of RMB25.0 million and RMB8.0 million represented the funding for our business operations obtained from the Endorsing Banks through the Non-Compliant Bill Financing arrangements for the two years ended 31 December 2010 respectively before deducting the relevant discounting charges.

The highest discount rate of bank acceptance notes in 2009 and 2010 were approximately 3.02% and 5.12% respectively, whereas the effective interest rates for the short-term bank loans (including our fixed-rate borrowings and variable-rate borrowings) we could obtain in the same periods were as follows:

	Year ended 31 December	
	2009	**2010**
Effective interest rate:		
Fixed-rate borrowings	5.58% to 7.97%	4.78% to 7.29%
Variable-rate borrowings	5.58% to 6.37%	5.63% to 6.78%

For illustrative purpose, based on the prevailing interest rates for short-term bank loans for the year ended from 31 December 2009 and 2010, we estimated that our interest expenses saved from the Non-Compliant Bill Financing arrangement were approximately RMB33,300 for the year ended 31 December 2009, and our extra interest expenses incurred were approximately RMB81,800 for the year ended 31 December 2010. As the financial benefit from Non-Compliant Bill Financing became less attractive, our Directors had ceased entering into any further Non-Compliant Bill Financing since November 2010.

As at 31 December 2009 and 2010, the balances of the amount involved in the Non-Compliant Bill Financing arrangements were RMB15.0 million and RMB10.0 million respectively, which were fully settled in or before April 2011 upon maturity.

We maintained cash and bank balances of approximately RMB112.7 million and RMB48.0 million, respectively, as of 31 December 2009 and 2010. In addition, we obtained new bank loans of approximately RMB144.6 million and RMB175.6 million in 2009 and 2010, respectively. Further, as confirmed by four branches out of the five branches of the four Endorsing Banks, we were still able to obtain the same amount of cash obtained from them through other banking facilities had there been no Non-Compliant Bill Financing during February 2008 to October 2010. Since all outstanding bank acceptance notes involved in the Non-Compliant Bill Financing arrangements were settled in or before April 2011, no provision had been made in our financial statements in relation to the Non-Compliant Bill Financing arrangements and we have demonstrated that we have sufficient funding to support our business operations based on our operating income, credit facilities and established relationships with PRC commercial banks and our ability to raise capital. Based on the foregoing, our Directors consider that we would have had sufficient funding for our business operations in each of the two financial years ended 31 December 2010, assuming that there were no such Non-Compliant Bill Financing arrangements during the same period.

Confirmation from relevant government authorities

In May 2012, we, together with our PRC Legal Advisers, initiated meetings and consulted with the Yixing Branch of the People's Bank of China ("**Yixing Branch of PBOC**") regarding our Non-Compliant Bill Financing arrangements. The People's Bank of China is responsible for drafting and administrating the PRC Negotiable Instruments Law and other relevant laws and regulations. Our PRC Legal Advisers advised us that the Yixing Branch of PBOC is the regulatory authority for matters relating to negotiable instruments in the jurisdiction where Saite Steel (Jiangsu) was established. The Yixing Branch of PBOC is thus the competent and appropriate government authority to be approached and consulted with on this matter. The Yixing Branch of PBOC confirmed in its letter dated 18 May 2012 that as no administrative penalty is promulgated in relation to corporate bill financing activities under the current financial laws and regulations, no administrative penalties would be imposed on Saite Steel (Jiangsu), its associated companies and senior management due to the Non-Compliant Bill Financing arrangements. Such written confirmation letter represents the government authority's view and assessment of actions to be taken by it on issues related to the Non-Compliant Bill Financing arrangements. As advised by our PRC Legal Advisers, based on such confirmation letter, we will not be liable for any administrative liability and the Yixing Branch of PBOC will not impose any administrative penalty on Saite Steel (Jiangsu), its controlling shareholders, directors and senior management due to the Non-Compliant Bill Financing arrangements. As at the Latest Practicable Date, we had not received any notice of formal investigation or inquiry regarding the Non-Compliant Bill Financing arrangements from such government authority.

Confirmations from the Endorsing Banks

We have met with each of the Endorsing Banks involved in the Non-Compliant Bill Financing arrangements, which has confirmed in writing that: (i) all the bank acceptance notes in respect of the Non-Compliant Bill Financing arrangements had been fully settled in or before April 2011; (ii) our payments to them related to the Non-Compliant Bill Financing arrangements were made in full and on time pursuant to the PRC Negotiable Instruments Law; (iii) there are no existing or potential disputes between Saite Steel (Jiangsu) and the relevant Endorsing Bank; (iv) no fraud was involved in the Non-Compliant Bill Financing arrangements; (v) they did not incur any loss as a result of the Non-Compliant Bill Financing arrangements; (vi) the Non-Compliant Bill Financing arrangements would not have adverse effect on the existing and future bank financing activities of Saite Steel (Jiangsu); (vii) they would not take any legal action against Saite Steel (Jiangsu), its directors and employees and any relevant party in connection with the Non-Compliant Bill Financing arrangements.

Opinion from our PRC Legal Advisers

Our PRC Legal Advisers advised that, pursuant to Article 10 the PRC Negotiable Instruments Law, Article 207 of the Measures for the Payment and Settlement (支付結算辦法) ("**Measures for the Payment and Settlement**") and other applicable laws and regulations, the issuance of a bank acceptance note must be based on a real act of trading or debt payment. The bank acceptance notes issued by us in respect of the Non-Compliant Bill Financing arrangements were not issued in compliance with such requirement as such bank acceptance notes were not issued on the basis of a real act of trading.

However, to obtain an assessment of the potential legal implications of the Non-Compliant Bill Financing arrangements for us, our Directors and senior management, we have sought legal advice from our PRC Legal Advisers. Our PRC Legal Advisers have advised that:

- as (i) all the relevant funds obtained from the bank acceptance notes issued by us in respect of the Non-Compliant Bill Financing arrangements were for our normal operation; (ii) all the relevant fund had been fully repaid to the Endorsing Banks before the due date; and (iii) the controlling shareholders, directors and senior management of Saite Steel (Jiangsu) had not obtained any personal benefit from the Non-Compliant Bill Financing arrangements, the Non-Compliant Bill Financing arrangements did not constitute fraudulent activities with negotiable instruments for the purpose of illegal possession as prescribed under the PRC Criminal Law and the PRC Negotiable Instruments Law and there will not be criminal liability imposed on Saite Steel (Jiangsu) and its controlling shareholders, directors and senior management due to the Non-Compliant Bill Financing arrangements;

- as (i) there are no specific provisions in the PRC Negotiable Instruments Law, the Measures for the Payment and Settlement and other relevant laws and regulations prescribing definitive administrative penalties for such issuance of bank acceptance notes without a real act of trading; and (ii) the Yixing Branch of PBOC, as the regulatory authority of matters relating to negotiable instruments in the jurisdictions where Saite Steel (Jiangsu) was established, confirmed in its letter dated 18 May 2012 that, as no administrative penalty is promulgated in relation to corporate bill financing activities under the current financial laws and regulations, no administrative penalties would be imposed on Saite Steel (Jiangsu), its associated companies and senior management due to the Non-Compliant Bill Financing arrangements. On the basis of the principle described in Article 4 of 中華人民共和國行政處罰法 (Administrative Penalty Law of the PRC) that "regulations which are not published shall not be taken as the basis for administrative penalties", no administrative penalties would be imposed on Saite Steel (Jiangsu), its controlling shareholders, directors and senior management due to the Non-Compliant Bill Financing arrangements; and

- based on the confirmations from the Endorsing Banks described in the paragraph headed "Confirmations from the Endorsing Banks" above and the investigations of our PRC Legal Advisers, as (i) all the bank acceptance notes in respect of the Non-Compliant Bill Financing arrangements had been fully settled before the due date; (ii) there are no existing or potential disputes between Saite Steel (Jiangsu) and the relevant Endorsing Bank; (iii) the Non-Compliant Bill Financing arrangements would not have adverse effect on the existing and future bank financing activities of Saite Steel (Jiangsu); (iv) they would not take any legal action against Saite Steel (Jiangsu), its directors and employees and any relevant party in connection with the Non-Compliant Bill Financing arrangements, Saite Steel (Jiangsu), its controlling shareholders, directors and senior management would not be subject to civil liabilities under civil claims from the Endorsing Banks.

Our Directors confirmed that Saite Steel (Jiangsu) ceased issuing the bank acceptance notes for the purpose of the Non-Compliant Bill Financing since November 2010 and fully settled all bank acceptance notes for the purpose of the Non-Compliant Bill Financing arrangements involved in or before April 2011. Our Directors confirmed that no fraudulent, bribery or other illegal activities under the PRC Negotiable Instruments Law were involved in obtaining the Non-Compliant Bill Financing arrangements. In addition, the Endorsing Banks also confirmed that they did not incur any loss as a result of the Non-Compliant Bill Financing arrangements conducted by Saite Steel (Jiangsu) and will not take legal actions against Saite Steel (Jiangsu), its directors and employees and any relevant party in connection with the Non-Compliant Bill Financing arrangements.

Our Directors, on the following bases, and among others, are of the view that no fraudulent activities as prescribed under the PRC Negotiable Instruments Law were involved in the Non-Compliant Bill Financing arrangements:

(a) the written confirmations from the Endorsing Banks stating that (i) they did not incur any loss as a result of the Non-Compliant Bill Financing arrangements conducted by Saite Steel (Jiangsu); (ii) all the bank acceptance notes for the purpose of the Non-Compliant Bill Financing arrangements had been fully settled in or before April 2011; (iii) they would not take legal actions against Saite Steel (Jiangsu), its directors and employees and any relevant party in connection with the Non-Compliant Bill Financing arrangements; and (iv) that no fraud was involved in the Non-Compliant Bill Financing arrangements; and

(b) the view of our PRC Legal Advisers that the Non-Compliant Bill Financing arrangements did not constitute fraudulent activities with negotiable instruments for the purpose of illegal possession as prescribed under the PRC Criminal Law and the PRC Negotiable Instruments Law.

Save for Mr. Jiang who was involved in the authorisation of the Non-Compliant Bill Financing, none of our Directors or senior management was involved in the Non-Compliant Bill Financing arrangements. Mr. Jiang confirmed that he has not obtained any personal benefit directly or indirectly from the Non-Compliant Bill Financing arrangements and that he authorised such Non-Compliant Bill Financing because he did not have the relevant legal knowledge at the time when he authorised such Non-Compliant Bill Financing and was not adequately advised by professionals on matters pertaining to bill financing. Our Directors (including our independent non-executive Directors) have undertaken to procure us not to engage in or permit the engagement in Non-Compliant Bill Financing arrangements in future. We have also taken a series of actions to address and rectify this issue, details of which are set out in the paragraph headed "Strengthening our internal control system and corporate governance measures" below.

The Joint Sponsors are of the view that Mr. Jiang, who was involved in the Non-Compliant Bill Financing arrangements, has the character, experience and integrity required for a Director under Rules 3.08 and 3.09 of the Listing Rules on the following bases: (a) Mr. Jiang has not obtained any personal benefit from the Non-Compliant Bill Financing arrangements; (b) the advice of our PRC Legal Advisers that the Non-Compliant Bill Financing arrangements did not constitute fraudulent activities with negotiable instruments for the purpose of illegal possession as prescribed under the PRC Criminal Law and the PRC Negotiable Instruments Law; (c) the confirmation from all the four Endorsing Banks that no fraud was involved in the Non-Compliant Bill Financing arrangements and they would not take any legal action against Saite Steel (Jiangsu), its directors and employees and any relevant party in connection with the Non-Compliant Bill Financing arrangements; (d) the confirmation from Yixing Branch of PBOC that they will not impose any administrative penalty against Saite Steel (Jiangsu), its associated companies and senior management due to the Non-Compliant Bill Financing arrangements; (e) as at the Latest Practicable Date, to the best of our knowledge having made reasonable enquiry, there were no legal proceedings against Mr. Jiang in the PRC and Hong Kong; (f) the confirmation from our PRC Legal Advisers that our Group had not contravened any of the material laws and regulations in the PRC, save as disclosed in this sub-section headed "Regulatory non-compliance"; (g) Mr. Jiang's substantial experience in the steel structure industry; and (h) the attendance by Mr. Jiang of training course regarding relevant laws and regulations in the areas of financial management, corporate governance and the Listing Rules conducted by professional training providers accredited by the relevant professional bodies and his undertaking that he will continue to attend these relevant training courses during each of the two years after Listing.

Having considered the facts and circumstances in relation to the Non-Compliant Bill Financing arrangements as set out above, our Board is of the view and the Joint Sponsors concur that such arrangements did not affect our Directors' suitability under Rules 3.08, 3.09 and 8.15 of the Listing Rules and our Company's suitability for listing under Rule 8.04 of the Listing Rules.

Strengthening our internal control system and corporate governance measures

We engaged an independent internal control adviser to execute an agreed set of review procedures ("**Review**") on the financial procedures, systems and controls (including accounting and management systems) adopted by us before Listing. The objectives of the Review were to identify internal control weaknesses and suggest recommendations to us for rectification. The internal control adviser identified that Saite Steel (Jiangsu) lacked comprehensive internal policies and procedures in relation to the management of its bill-financing arrangements and the relevant internal records. The internal control adviser recommended a number of actions to be taken to further improve the existing internal control processes of Saite Steel (Jiangsu). The internal control adviser has also made several recommendations in relation to bill-financing arrangements of Saite Steel (Jiangsu). We have adopted a series of rectifying measures and the status of rectification work performed is as follows:

Rectifying measures	Status of rectification work
• The management team of Saite Steel (Jiangsu) to adopt written internal control policies and procedures in relation to bill-financing arrangements and to circulate such policies and procedures to all Directors and relevant staff	• Completed

Rectifying measures	Status of rectification work
• The relevant supply agreements, stock storage notes and delivery notes must be submitted to the board of directors of Saite Steel (Jiangsu) for approval of future financing applications	• Implemented
• Details of all future financing agreements must be recorded in the internal register of Saite Steel (Jiangsu) together with the relevant supply agreements. Designated staff will ensure that each supply agreement will not be used for multiple financing	• Implemented
• Finance staff of Saite Steel (Jiangsu) will check the note payables to identify any non-compliant bill-financing arrangements and to report any non-compliance to the finance manager of Saite Steel (Jiangsu)	• Implemented
• Our audit committee may decide on the penalties on our staff who breaches our internal control policies and procedures in relation to bill-financing arrangements or the PRC Negotiable Instruments Law	• Implemented
• Our legal advisers and our trained management personnel to provide relevant training to relevant staff	• On-going

Our internal control adviser has performed follow-up checks on the rectifying measures set out above between August and November 2012 and has not identified any significant exception based on the information provided by us. Mr. Wong Kwok Kuen, our company secretary, is responsible for the implementation of such internal control measures and he directly reports to the Board. He has over 14 years of experience in the fields of finance, auditing and accounting and has acted as the financial controller of a number of listed companies in Hong Kong. Taking into account the above rectifying measures and the results of the follow-up checks, our Directors consider and the Joint Sponsors concur that our internal control procedures are adequate and effective under Rule 3A.15(5) of the Listing Rules as at the Latest Practicable Date.

Our internal control adviser was engaged to provide internal control assessment services for us. The engagement team of our internal control adviser includes members who have the qualification of Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), Certified Internal Auditor ("**CIA**") and Certified Information Systems Auditor ("**CISA**").

In order to ensure that our Directors will be fully aware of their duties and responsibilities as directors of a publically listed company, and keep abreast of the Listing Rules and legal requirements in Hong Kong and the PRC, we have established a compliance manual setting out the corporate governance policies for compliance with the Listing Rules and provided training conducted by our Hong Kong legal advisers to our Directors on the duties and responsibilities under the Listing Rules and legal requirements in Hong Kong.

We will appoint legal advisers as to the laws of Hong Kong and the PRC, respectively, after Listing to advise our Group on the laws and regulations of Hong Kong (in particular the requirements under the Listing Rules) and the PRC, respectively. We have also appointed Kim Eng as our compliance adviser to assist us with compliance matters and issues in relation to the Listing Rules and will seek external legal advice where appropriate and necessary on the compliance matters after Listing.

In addition, we will retain an independent external consultant for at least 12 months after Listing to examine and monitor our bill financing arrangements periodically for compliance with the rectifying measures upon Listing and provide reports for our audit committee to review and inclusion in our Company's annual internal control review report, and the findings of the consultant will be disclosed in the corporate governance report of our annual reports for the two full financial years after Listing.

Indemnity from our Controlling Shareholders

Our Controlling Shareholders have undertaken to fully indemnify us from any and all liabilities arising from the Non-Compliant Bill Financing arrangements.

Summary of Non-Compliant Bill Financing

Details of non-compliance	Non-compliance with the PRC laws and regulations	Rectification actions taken	Confirmation from the relevant government authority	Personnel involved in the non-compliance
From February 2008 to October 2010, we entered into bank acceptance notes agreements with certain commercial banks in the PRC for issuance of bank acceptance notes with a term of around six months to our suppliers as payment for our purchases from them. As the discount rates of bank acceptance notes were considered lower than the then prevailing interest rate for short-term bank loans we could obtain, we obtained funds through issuing such bank acceptance notes to certain of our suppliers but used the proceeds for purposes other than for payment of the purchases from these suppliers. This practice did not comply with the terms of the bank acceptance notes agreements and relevant PRC laws.	Our PRC Legal Advisers advised that, pursuant to Article 10 the PRC Negotiable Instruments Law, Article 207 of the Measures for the Payment and Settlement and other applicable laws and regulations, the issuance of a bank acceptance note must be based on a real act of trading or debt payment. The bank acceptance notes issued by us in respect of the Non-Compliant Bill Financing arrangements were not issued in compliance with such requirement as such bank acceptance notes were not issued on the basis of a real act of trading.	Our Directors confirmed that Saite Steel (Jiangsu) had ceased issuing the bank acceptance notes for the purpose of the Non-Compliant Bill Financing since November 2010 and fully settled all bank acceptance notes for the purpose of the Non-Compliant Bill Financing arrangements involved in or before April 2011.	In May 2012, we, together with our PRC Legal Advisers, initiated meetings and consulted with the Yixing Branch of PBOC regarding our Non-Compliant Bill Financing arrangements. The People's Bank of China is responsible for drafting and administrating the PRC Negotiable Instruments Law and other relevant laws and regulations. Our PRC Legal Advisers advised us that the Yixing Branch of PBOC is the regulatory authority for matters relating to negotiable instruments in the jurisdiction where Saite Steel (Jiangsu) was established. The Yixing Branch of PBOC is thus the competent and appropriate government authority to be approached and consulted with on this matter. The Yixing Branch of PBOC confirmed in its letter dated 18 May 2012 that as no administrative penalty is promulgated in relation to corporate bill financing activities under the current financial laws and regulations, no administrative penalties would be imposed on Saite Steel (Jiangsu), its associated companies and senior management due to the Non-Compliant Bill Financing arrangements. Such written confirmation letter represents the government authority's view and assessment of actions to be taken by it on issues related to the Non-Compliant Bill Financing arrangements. As advised by our PRC Legal Advisers, based on such confirmation letter, we will not be liable for any administrative liability and the Yixing Branch of PBOC will not impose any administrative penalty on Saite Steel (Jiangsu), its controlling shareholders, directors and senior management due to the Non-Compliant Bill Financing arrangements. As at the Latest Practicable Date, we had not received any notice of formal investigation or inquiry regarding the Non-Compliant Bill Financing arrangements from such government authority.	Mr. Jiang, our executive Director

DIRECTORS

Our Board consists of six Directors, including three executive Directors and three independent non-executive Directors.

The information of our Directors is set out as follows:

Name	Age	Position/Title	Appointment Date	Principal responsibilities
Mr. Jiang Jianqiang (蔣建強)	48	Chairman and executive Director	31 July 2012	Overall strategic planning and management of our Group; chairman of nomination committee
Mr. Shao Xiaoqiang (邵小強)	39	Executive Director and chief executive officer	31 July 2012	Overseeing our production and technical teams of our Group; member of remuneration committee
Mr. Wu Yimin (吳益民)	55	Executive Director	11 October 2013	Overseeing the corporate and financial matters of our Group
Mr. Xu Jiaming (徐家明)	43	Independent non-executive Director	11 October 2013	Member of audit committee and nomination committee
Mr. Chen Tiegang (陳鐵鋼)	54	Independent non-executive Director	11 October 2013	Chairman of remuneration committee; member of audit committee and nomination committee
Mr. Ma Chun Fung Horace (馬振峰) (formerly known as Ma Ka Keung (馬家強))	42	Independent non-executive Director	11 October 2013	Chairman of audit committee; member of remuneration committee

Executive Directors

Mr. Jiang Jianqiang (蔣建強), aged 48, the founder of our Group, is our chairman and executive Director. Mr. Jiang was appointed as our executive Director on 31 July 2012. He is responsible for the overall strategic planning and management of our Group. Mr. Jiang has extensive experience in the steel structure industry, and has been engaged in such business for over 15 years.

Mr. Jiang completed a three-year course in the Faculty of Architecture at Southeast University in July 1996 and is a practising Grade One Constructor registered with the Ministry of Housing. He was also qualified as 高級工程師 (senior engineer) and 高級經濟師 (senior economist) by 江蘇省人事廳 (Jiangsu Province Personnel Department) in June 2008 and July 2009 respectively. From May 1995 to April 1998, he served as the deputy general manager of 江蘇宇盛建築安裝工程有限公司 (Jiangsu Yusheng Construction and Installation Company Limited*), a company principally engaged in construction projects and lifting equipment installation, and during such period he was responsible for the administration and production and business management of such company. Since September 1998, Mr. Jiang has acted as the general manager of Saite Steel (Jiangsu). He also served as a representative in the 12th Communist Party Congress of Yixing, the PRC and 15th People's Congress of Yixing, the PRC.

Mr. Shao Xiaoqiang (邵小強), aged 39, was appointed as our executive Director on 31 July 2012. He is also our chief executive officer. He is responsible for the production and technical teams of our Group. Mr. Shao is also responsible for approving contracts with our customers, making the decision for engaging installation teams and production teams and whether to subcontract any works to subcontractors.

Mr. Shao graduated with a bachelor's degree in management, majoring in 工程管理 (engineering management), from 江南大學 (Jiangnan University) in July 2011. Mr. Shao was qualified as an engineer (specialising in steel structures) by 中國建築工程總公司 (China State Construction Engineering Corporation*) in December 2004 and a practising Grade 2 Constructor jointly awarded by 江蘇省人事廳 (Jiangsu Province Personnel Department), 江蘇省建築工程管理局 (Construction Project Administration Bureau of Jiangsu Province) and 江蘇省建設廳 (Department of Construction of Jiangsu Province) in January 2007. He has more than 15 years of experience in the construction industry. He was awarded with 優秀項目經理 (Excellent Project Manager) for the project of 泰州三福船舶工程有限公司船體分段製造車間鋼結構工程 (Taizhou Sanfu Marine Engineering Co., Limited Hull Block Fabrication Workshop Steel Structure Project) in 2008. From April 1996 to November 1999, he worked as the head of the technical department of 江蘇曉金鋼構建設有限公司 (Jiangsu Xiaojin Steel Structure Construction Co., Ltd.*), a company principally engaged in production and installation of steel structure. He joined our Group in December 1999 and has served as a deputy general manager and the deputy administrative manager of Saite Steel (Jiangsu) since then, overseeing the engineering and technical work and the production process of our Group.

Mr. Wu Yimin (吳益民), aged 55, was appointed as our executive Director on 11 October 2013. He is responsible for the corporate and financial matters of our Group.

Mr. Wu graduated from 中共中央黨校函授學院 (Correspondence Institute of the Party School of the Central Committee of the Communist Party of China) in December 1997 majoring in economic management through distance learning. He was also qualified as an economist by 中國農業銀行無錫市分行 (Wuxi Branch of the Agricultural Bank of China) in June 1989. From 1987 to January 1996, he acted as the manager of the business department of 中國農業銀行宜興市支行 (Yixing City Branch of the Agricultural Bank of China). He subsequently served as the general manager of 宜興創格企業發展有限公司 (Yixing Chuangge Corporate Development Company Limited), a company principally engaged in the sale of metallic materials, construction materials and heat-insulating materials, from January 1996 to March 2005. Since 2005, he has served as the deputy general manager of Saite Steel (Jiangsu).

Independent non-executive Directors

Mr. Xu Jiaming (徐家明), aged 43, was appointed as our independent non-executive Director on 11 October 2013. Mr. Xu graduated with a bachelor's degree in 工業管理工程 (管理信息系統) (Industrial Management Engineering (Management Information Systems)) from 武漢工學院 (Wuhan Institute of Engineering) in June 1992 and obtained a master's degree in business administration from 南京大學 (Nanjing University) in December 2003. He is currently a candidate for a doctorate degree in 管理科學與工程 (Management Science and Engineering) at 武漢理工大學 (Wuhan University of Technology). He has over 15 years of experience in corporate management and consultancy. From January 1997 to May 1998, he served at 南京同創信息產業集團有限公司 (Nanjing Toptry Information Industry Group Co., Ltd.*), a company principally engaged in software development and information services as the head of its marketing department, deputy manager and the head of its 電子商務部 (department of electronic commerce). Since May 1998, he has served as the chief consultant and the general manager of 南京智域企業管理諮詢有限公司 (Nanjing Zhiyu Corporate Management Consultants Company Limited*), a company principally engaged in provision of business consultancy services. He acted as the chief human resources manager of 紅星家俱集團有限公司 (Red Star Home Furniture Group Limited*), a company principally engaged in, among others, sale of home furniture, between June 2005 and July 2007 and the general manager of 紅星美凱龍國際諮詢有限公司 (Red Star Macalline International Consultancy Company Limited*), a company principally engaged in provision of business consultancy services, between June 2005 and July 2007. From December 2008 to September 2010, he also served as the management consultant and the president of 恆久集團有限公司 (Permanent Group Co., Ltd.*), a company principally engaged in the manufacture of steel structures and machineries. Since September 2010, he has acted as the corporate management consultant of 南京豐盛產業控股集團有限公司 (Nanjing Fullshare Holdings Group Limited*), a company principally engaged in construction projects.

Mr. Chen Tiegang (陳鐵鋼), aged 54, was appointed as our independent non-executive Director on 11 October 2013. Mr. Chen graduated from 中共中央黨校函授學院 (Correspondence Institute of the Party School of the Central Committee of the Communist Party of China) majoring in economic management in December 1997 through distance learning. He was also qualified as an economist by 無錫市人事局 (Wuxi Municipal Personnel Bureau) in December 2002. He was appointed as the general manager of 宜興市經協委工業原材料總公司 (Yixing City Economic Cooperation Committee Industrial Raw Materials Company*), a company principally engaged in the procurement and supply of raw materials, from August 1990 to September 1996. He served as the vice chairman, the deputy general manager, and the committee member of 宜興市經協集團公司 (Yixing City Economic Cooperation Group Company*), a company principally engaged in the production of metallic materials and construction materials, from October 1996 to August 2002. He acted as the deputy manager, and the committee member of 宜興市商業貿易資產管理有限公司 (Yixing City Trading and Asset Management Company*), a company principally engaged in the management of state-owned assets, from August 2002 to January 2012.

He was named as 後勤服務先進工作者 (advanced worker of logistics services) in 1988 by 宜興縣人民政府 (the People's Government of Yixing County), 無錫市經濟協作系統先進工作者 (advanced worker of the economic cooperation system of Wuxi City) in 1993 by 無錫市經濟技術協作委員會 (the Wuxi City Economic and Technological Cooperation Committee), and 橫向經濟協作工作先進工作者 (advanced worker of lateral economic cooperation) in 1993 by 宜興市經濟協作委員會 (the Yixing City Economic Cooperation Committee). Also, he was awarded 流通工作先進工作者 (advanced worker of circulation work) for three consecutive years since 1992, and was further honoured as 流通工作優秀經理 (主任) (outstanding manager of circulation work) for three consecutive years since 1995 by 中共宜興市委員會 (Yixing City Committee of the Communist Party of China).

Mr. Ma Chun Fung Horace (馬振峰) (formerly known as Ma Ka Keung (馬家強)), aged 42, was appointed as our independent non-executive Director on 11 October 2013. Mr. Ma graduated with a Bachelor of Business Administration degree from the Chinese University of Hong Kong in December 1993. Mr. Ma obtained a Bachelor of Laws degree from the University of London (external degree) in August 2001 and a Master of Science degree from the Chinese University of Hong Kong in December 2005. He is a certified public accountant registered with the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), a fellow of the Association of Chartered Certified Accountants ("**ACCA**"), a certified internal auditor registered with the Institute of Internal Auditors and a holder of the Certification in Control Self-Assessment from the Institute of Internal Auditors. Mr. Ma was a council member of HKICPA from 2009 to 2011.

From September 2010 to October 2011, he was an executive director of FAVA International Holdings Limited (a company listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8108)). From June 2010 to June 2013, he served as an independent non-executive director of Dejin Resources Group Company Limited (a company listed on the Main Board of the Stock Exchange (Stock Code: 1163)). Since July 2007, he has served as an independent non-executive director of Ming Fai International Holdings Limited (a company listed on the Main Board of the Stock Exchange (Stock Code: 3828)). He has also acted as an independent non-executive director of Universe International Holdings Limited (a company listed on the Main Board of the Stock Exchange (Stock Code: 1046)) since November 2008, and China Tianrui Group Cement Company Limited (a company listed on the Main Board of the Stock Exchange (Stock Code: 1252)) since December 2011. He is currently the chief financial officer of S. Culture International Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 1255) on 11 July 2013.

Save as disclosed above, each of our Directors (i) did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or controlling shareholders of our Company as at the Latest Practicable Date; and (iii) did not hold any other directorships in listed public companies in the three years prior to the Latest Practicable Date. As at the Latest Practicable Date, save as the interests of Mr. Jiang in the Shares which are disclosed in the section headed "Persons having notifiable interests under the SFO" in this prospectus, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Mr. Du Shuguang (杜曙光), aged 33, joined our Group in September 2002 and has acted as the assistant to the general manager of Saite Steel (Jiangsu) mainly responsible for the operation of our technical team since then.

Mr. Du graduated with a major in 計算機及應用 (Computer Science and Applications) from 南京理工大學 (Nanjing University of Science and Technology) in July 2003. Prior to joining our Group, he had worked as a designer at 宜興市建築設計研究院有限公司設計二所 (Second design department of Yixing Institute of Architecture and Design Company Limited*), a company principally engaged in construction and steel structures design, for two years and he was mainly responsible for construction design and planning and architectural drawing.

Mr. Shan Jinwen (單錦文), aged 38, joined our Group in September 2009 and has acted as the deputy general manager of Saite Steel (Jiangsu) responsible for the sales and marketing activities since September 2011.

Mr. Shan completed a three-year course in electronic technology engineering at Southeast University in July 1996 and obtained a master's degree in business administration from 澳門科技大學 (Macau University of Science and Technology) in February 2004. He is also a Grade One Constructor registered with the Ministry of Housing. Prior to joining our Group, he acted as the manager of the marketing department of 博西家用電器(中國)有限公司 (BSH Home Appliances Holding (China) Co., Ltd.*), a company principally engaged in development and sale of home appliances and their after-sales services, from November 1999 to June 2004. From June 2004 to August 2009, he took up the position of deputy administrative manager of 無錫市現代鋼結構工程有限公司 (Wuxi City Modern Steel Structure Engineering Co., Ltd.*), a company principally engaged in production, processing and installation of steel structures and their supporting parts, and during such period he was mainly responsible for the corporate management of such company.

Mr. Wong Kwok Kuen (王國權), aged 40, is our chief financial officer and company secretary. He graduated with a bachelor's degree in Accountancy from the Hong Kong Polytechnic University in November 1997. Mr. Wong is a member of the ACCA and a member of the HKICPA (formerly known as the Hong Kong Society of Accountants). He has over 14 years of experience in the fields of finance, auditing and accounting. He worked as the qualified accountant, company secretary and financial controller of Jolimark Holdings Limited (a company listed on the Main Board of the Stock Exchange (Stock Code: 2028)) from December 2004 to August 2007. From June 2007 to June 2009, he served as the qualified accountant, company secretary and financial controller of Dongyue Group Limited (a company listed on the Main Board of the Stock Exchange (Stock Code: 189)). He joined our Group in January 2012 as the chief financial officer and company secretary and is primarily responsible for the internal control and Listing Rules compliance matters of our Group.

Save as disclosed herein, to best of the knowledge, information and belief of our Directors having made all reasonable enquiries, each of the members of our senior management has not been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this prospectus.

COMPANY SECRETARY

Mr. Wong Kwok Kuen (王國權) was appointed as the company secretary of our Company on 11 October 2013. His details are set out under the paragraph headed "Senior management" above.

STAFF

We maintain good working relations with our staff. We have not experienced any significant problems with the recruitment and retention of experienced employees. In addition, we have not suffered from any material disruption of our normal business operations as a result of labour disputes or strikes.

Benefits

In the PRC, in accordance with relevant national and local labour and social welfare laws and regulations, we are required to pay in respect of our employees in the PRC various social security funds including basic pension insurance, basic medical insurance, unemployment insurance, occupational injury insurance, hospital insurance and insurance for maternity leave.

Compensation

The aggregate amount of remuneration of our Directors for the three years ended 31 December 2012 and the six months ended 30 June 2013 were approximately RMB252,000, RMB269,000, RMB305,000 and RMB193,000 respectively. Details of the arrangement for remuneration are set out in Note 12 to the Accountants' Report in Appendix I to this prospectus.

Under such arrangement and pursuant to our Directors' service agreements and letters of appointment referred to in the paragraph headed "Particulars of Directors' service contracts" in Appendix V to this prospectus, the aggregate amount of directors' fee and other emoluments payable to our Directors for the year ending 31 December 2013 is estimated to be approximately RMB543,000, excluding any discretionary bonuses.

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of our Group. We also reimburse them for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operations. We regularly review and determine the remuneration and compensation packages of our Directors and senior management.

After Listing, our remuneration committee will review and determine the remuneration and compensation packages of our Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

During the Track Record Period, no remuneration was paid by us to, or received by, our Directors as an inducement to join or upon joining us.

BOARD COMMITTEES

Audit committee

Our Company established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules pursuant to a resolution of our Directors passed on 11 October 2013. The primary duties of our audit committee are mainly to make recommendations to our Board on the appointment and removal of the external auditor, review the financial statements and material advice in respect of financial reporting and oversee the internal control procedures of our Company. At present, our audit committee comprises Mr. Ma Chun Fung Horace (formerly known as Ma Ka Keung), Mr. Xu Jiaming and Mr. Chen Tiegang, all being independent non-executive Directors. Mr. Ma Chun Fung Horace (formerly known as Ma Ka Keung) is the chairman of our audit committee.

Remuneration committee

Our Company established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules pursuant to a resolution of our Directors passed on 11 October 2013. The primary functions of our remuneration committee are to make recommendation to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group, review performance based remuneration and ensure none of our Directors determine their own remuneration. At present, our remuneration committee comprises Mr. Chen Tiegang and Mr. Ma Chun Fung Horace (formerly known as Ma Ka Keung), both being our independent non-executive Directors and Mr. Shao Xiaoqiang, being our chief executive officer and executive Director. Mr. Chen Tiegang is the chairman of our remuneration committee.

Nomination committee

Our Company established a nomination committee on 11 October 2013 with written terms of reference. The primary functions of our nomination committee are to make recommendations to our Board regarding candidates to fill vacancies on our Board. At present, our nomination committee comprises Mr. Jiang, being our founder, chairman and executive Director, Mr. Xu Jiaming and Mr. Chen Tiegang, both being our independent non-executive Directors. Mr. Jiang is the chairman of the nomination committee.

COMPLIANCE ADVISER

We have appointed Kim Eng as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us, among others:

(1) in relation to the publication of any regulatory announcement, circular or financial report;

(2) in relation to a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(3) where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate to a material extent from any forecast, estimate, or other information in this prospectus; and

(4) where the Stock Exchange makes an inquiry of us under Rule 13.10 of the Listing Rules.

The term of appointment of our compliance adviser shall commence on the Listing Date and end on the date of despatch of our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment shall be subject to extension by mutual agreement.

PERSONS HAVING NOTIFIABLE INTERESTS UNDER THE SFO

So far as our Directors are aware, immediately following completion of the Global Offering (but without taking into account Shares to be issued pursuant to the exercise of the Over-allotment Option) and the Capitalisation Issue, the following persons will have an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to our Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of members of our Group other than our Company:

(i) Long and short positions in the Shares and underlying Shares

Name of Shareholder	Nature of interest	Number of securities held	Approximate shareholding percentage *(%)*
Keen Luck	Beneficial owner	1,020,000,000 Shares (L)	63.75
Mr. Lai Chau Yung	Beneficial owner	180,000,000 Shares (L)	11.25
Champ Origin	Interest of a controlled corporation(2)	1,020,000,000 Shares (L)	63.75
Mr. Jiang	Interest of a controlled corporation(2 and 3)	1,020,000,000 Shares (L)	63.75
Zhou Xiaoying(4)	Interest of spouse	1,020,000,000 Shares (L)	63.75
Mr. YX Jiang	Interest of a controlled corporation(2 and 3)	1,020,000,000 Shares (L)	63.75

Notes:

(1) The letter "L" denotes a person's "long position" (as defined under Part XV of the SFO) in such Shares, respectively.

(2) These Shares were held by Keen Luck, which was owned as to 57.65% by Champ Origin, 30.59% by Pure Grand and 11.76% by Ms. Feng Mei (an Independent Third Party).

(3) Champ Origin was owned as to 51% by Mr. Jiang and 49% by Mr. YX Jiang.

(4) Zhou Xiaoying is the spouse of Mr. Jiang.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering and the Capitalisation Issue and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, our Company will be owned as to approximately 63.75% by Keen Luck.

Keen Luck is an investment holding company incorporated in the BVI on 1 March 2011. As at the Latest Practicable Date, it was owned as to 57.65% by Champ Origin, 30.59% by Pure Grand and 11.76% by Ms. Feng Mei, an Independent Third Party.

Champ Origin is an investment holding company incorporated in the BVI on 1 March 2011. As at the Latest Practicable Date, it was owned as to 51% by Mr. Jiang and 49% by Mr. YX Jiang, who is the son of Mr. Jiang.

Accordingly, our Controlling Shareholders are Keen Luck, Champ Origin, Mr. Jiang and Mr. YX Jiang. Our Directors consider that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective associates based on the following particulars:

Management independence

Our Board comprises three executive Directors and three independent non-executive Directors. Our executive Directors are Mr. Jiang, Mr. Shao Xiaoqiang and Mr. Wu Yimin. Mr. Jiang is also our founder, chairman, executive Director and one of our Controlling Shareholders.

Each of our Directors is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

Save as disclosed, we have our senior management team to carry out the business decisions of our Group independently. Our Directors are satisfied that our senior management team is able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders after the Global Offering.

Operation and finance independence

During the Track Record Period and up to the Latest Practicable Date, we had our own finance team and accounting system. Our Directors also believe that we are able to obtain financing independent from our Controlling Shareholders.

During the Track Record Period, there are certain amounts due to Mr. Jiang, as set out in note 28 to the Accountants' Report in Appendix I to this prospectus. Such balances were unsecured, interest-free and repayable on demand. All of such balances will be settled upon Listing.

During the Track Record Period, guarantees were given by Mr. Jiang and/or his family members in favour of certain bank loans of our Group. Such bank loans were repaid before 30 September 2012.

NON-COMPETITION

Non-competition Undertaking

Each of our Controlling Shareholders has confirmed that none of them is engaged in, or interested in any business (other than our Group) which, directly or indirectly, competes or may compete with our business. To protect our Group from any potential competition, our Controlling Shareholders have given an irrevocable non-compete undertaking (the "**Non-Competition Undertaking**") in favour of our Company (for itself and for the benefits of its subsidiaries) on 11 October 2013 pursuant to which each of our Controlling Shareholders has, among other matters, irrevocably and unconditionally undertaken to us on a joint and several basis that at any time during the Relevant Period (as defined below), each of our Controlling Shareholders shall, and shall procure that their respective associates and/or companies controlled by them (other than our Group):

(i) not, directly or indirectly, be interested or involved or engaged in or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any business which is or is about to be engaged in any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by our Group (including but not limited to provision of steel structure and prefabricated construction services, span from providing secondary design on steel structures to fabrication and assembly of steel structure parts and prefabricated construction materials and installation) in Hong Kong, the PRC and any other country or jurisdiction to which our Group sells, distributes, supplies or otherwise provides such products or services and/or in which any member of our Group carries on business mentioned above from time to time (the "**Restricted Activity**");

(ii) not solicit any existing employee of our Group for employment by it/him or its/his associates (excluding our Group);

(iii) not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to its/his knowledge in its/his capacity as our Controlling Shareholder for any purpose of engaging, investing or participating in any Restricted Activity;

(iv) if there is any project or new business opportunity that relates to the Restricted Activity, refer such project or new business opportunity to our Group for consideration;

(v) not invest or participate in any Restricted Activity; and

(vi) procure its/his associates (excluding our Group) not to invest or participate in any project or business opportunity of the Restricted Activity, unless pursuant to the exception set out below.

The above undertakings (i) to (vi) are subject to the exception that any of the associates of our Controlling Shareholders (excluding our Group) are entitled to invest, participate and be engaged in any Restricted Activity or any project or business opportunity, regardless of value, which has been offered or made available to our Group, provided always that information about the principal terms thereof has been disclosed to our Company and our Directors, and our Company shall have, after review and approval by our Directors (including our independent non-executive Directors without the attendance by any Director with beneficial interest in such project or business opportunities at the meeting, in which resolutions have been duly passed by the majority of our independent non-executive Directors), confirmed its rejection to be involved or engaged, or to participate, in the relevant Restricted Activity and provided also that the principal terms on which that relevant associate of our Controlling Shareholders invests, participates or engages in the Restricted Activity are substantially the same as or not more favourable than those disclosed to our Company. Subject to the above, if the relevant associate of our Controlling Shareholders decides to be involved, engaged, or participate in the relevant Restricted Activity, whether directly or indirectly, the terms of such involvement, engagement or participation must be disclosed to our Company and our Directors as soon as practicable.

Each of our Controlling Shareholders has unconditionally and irrevocably undertaken to us that in the event that it/he or its/his associate(s) (other than any member of our Group) (the "**Offeror**") is given or identified or offered any business investment or commercial opportunity which directly or indirectly competes, or may lead to competition with the Restricted Business (the "**New Opportunities**"), it/he will and will procure its/his associate(s) to refer the New Opportunities to us as soon as practicable in the following manner:

(i) each of our Controlling Shareholders is required to, and shall procure its/his associates (other than members of our Group) to, refer, or to procure the referral of, the New Opportunities to us, and shall give written notice to us of any New Opportunities containing all information reasonably necessary for us to consider whether (a) such New Opportunities would constitute competition with the Restricted Business; and (b) it is in the interest of our Group to pursue such New Opportunities, including but not limited to the nature of the New Opportunities and the details of the investment or acquisition costs (the "**Offer Notice**"); and

(ii) the Offeror will be entitled to pursue the New Opportunities only if (a) the Offeror has received a notice from us declining the New Opportunities and confirming that such New Opportunities would not constitute competition with the Restricted Business, or (b) the Offeror has not received such notice from us within 10 business days from our receipt of the Offer Notice. If there is a material change in the terms and conditions of the New Opportunities pursued by the Offeror, the Offeror will refer the New Opportunities as so revised to us in the manner as set out above.

Upon receipt of the Offer Notice, we will seek opinions and decisions from our independent non-executive Directors who do not have a material interest in the manner as to whether (a) such New Opportunities would constitute competition with the Restricted Business, and (b) it is in the interest of us and our shareholders as a whole to pursue the New Opportunities.

The Non-Competition Undertaking is conditional on (i) the Listing Committee granting listing of, and permission to deal in, all our Shares in issue and to be issued under the Global Offering and our Shares which may be issued upon the exercise of the Over-allotment Option and options that may be granted under the Share Option Scheme; and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant as a result of the waiver of any condition(s) by the Underwriters) and that the Underwriting Agreements not being terminated in accordance with its terms or otherwise.

For the above purpose, the "**Relevant Period**" means the period commencing from the Listing Date and shall expire on the earlier of the dates below:

(i) the date on which our Controlling Shareholders and their associates, individually or taken as a whole, ceases to be our controlling shareholders for the purpose of the Listing Rules; or

(ii) the date on which our Shares cease to be listed on the Stock Exchange or (if applicable) other stock exchange.

Each of our Controlling Shareholders has undertaken under the Non-Competition Undertaking that he or it shall provide to us and our Directors from time to time (including our independent non-executive Directors) with all information necessary for the annual review by our independent non-executive Directors with regard to compliance of the terms of the Non-Competition Undertaking by our Controlling Shareholders and the enforcement of the Non-Competition Undertaking. Each of our Controlling Shareholders has also undertaken to make an annual declaration as to compliance with the terms of the Non-Competition Undertaking in our annual report.

In order to properly manage any potential or actual conflict of interests between us and our Controlling Shareholders in relation to compliance and enforcement of the Non-Competition Undertaking, we have adopted the following corporate governance measures:

(i) our independent non-executive Directors shall review, at least on an annual basis, compliance and enforcement of the terms of the Non-Competition Undertaking by our Controlling Shareholders;

(ii) we will disclose any decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Non-Competition Undertaking either through our annual report or by way of announcement;

(iii) we will disclose in the corporate governance report of our annual report on how the terms of the Non-Competition Undertaking have been complied with and enforced; and

(iv) and in the event that any of our Directors and/or their respective associates has material interest in any matter to be deliberated by our Board in relation to compliance and enforcement of the Non-Competition Undertaking, he may not vote on the resolutions of our Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and their respective associates and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.

You should read the following discussion and analysis of our financial condition and our results of operations together with our audited consolidated financial statements as at and for each of the three years ended 31 December 2012 and the six months ended 30 June 2013, including the accompanying notes included in the Accountants' Report set out in Appendix I to this prospectus (collectively, the "Financial Information"). The Accountants' Report has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of a number of factors, including those set out in the section headed "Risk factors" in this prospectus.

OVERVIEW

We are an integrated steel structure and prefabricated construction solution service provider headquartered in Yixing, Jiangsu Province, the PRC with an operation history of approximately 15 years. Our integrated construction solution services are customised to meet the technical specifications and requirements of different projects, and span from fabrication and assembly of steel structure parts and prefabricated construction materials at our workshops to the installation of these materials onsite, based on the secondary design (as to our steel structure projects) provided by us or our customers. For steel structure projects, we provide our services on project basis through bidding and our contracting services are required to be tailored to meet with the specific requirements of our customers. For prefabricated construction projects, as the competitors in the market, especially in Jiangsu Province, are limited to a few enterprises, most projects are engaged through direct referral and a bidding process is not required.

We are principally engaged in (i) steel structure projects in respect of, among others, bridges, train stations, stadiums, exhibition centres and factory premises which involve structures such as steel columns, girders and beams of a construction; and (ii) prefabricated construction projects in respect of, among others, residential buildings (including social security housing), factory and shopping mall which involve structures such as beams, columns, column beams and precast concrete facade panels.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 31 July 2012 as part of our Reorganisation. Upon completion of our Reorganisation in December 2012, our Company became the holding company of the companies now comprising our Group. Since the companies now comprising our Group were controlled by our Controlling Shareholders before and after our Reorganisation, there was a continuation of the risks and benefits to our Controlling Shareholders, and our Financial Information has been prepared as if our Group has always been in existence throughout the Track Record Period.

Our consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of our Group for the Track Record Period and the consolidated statements of financial position as at 31 December 2010, 2011 and 2012, and 30 June 2013 are prepared as if the current group structure had been in existence throughout the Track Record Period, or since the respective date of incorporation or establishment of the relevant entity, where this is a shorter period.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our Directors consider the factors set out below may have affected our Group's business and historical financial results and may also affect our future financial results. The following should be read in conjunction with the sections headed "Risk factors" and "Regulations" in this prospectus.

Economic conditions in China

Our results of operations are subject to macro-economic conditions in China which affect the construction industry and in turn the market demand for our services. Most of our customers are property owners, subcontractors or main contractors of the construction projects, and we are principally engaged in (i) steel structure projects in respect of, among others, bridges, train stations, stadiums, exhibition centres and factory premises which involve structures such as steel columns, girders and beams of a construction; and (ii) prefabricated construction projects in respect of, among others, residential buildings (including social security housing), factory and shopping mall which involve structures such as beams, columns, column beams and precast concrete facade panels. Our business and prospects could be significantly affected by fluctuations in economic conditions in the PRC. We believe factors, primarily include macro-economic growth, urbanisation, government expenditure on public infrastructure, regulations on property markets and living standard in the PRC, would affect our financial condition.

Competition in steel structure and prefabricated construction industry

We operate in a highly competitive industry in which our competitors include a number of international and China-based companies that provide services similar to ours. We face competition in particular during the project bidding process prior to the relevant contract is awarded to us. We compete with our competitors in various aspects such as price quotation, product quality and after-sales services, which could affect the number of projects that we will be awarded and profitability of the projects. The level of competition has impact on our ability to price our services at a desired level so as to achieve our target profitability. In order to win the projects where price competition is intense, we may price our services at a level which can barely meet our profitability threshold. As such, competitions have had, and are expected to continue to have significant impact on our business and financial performance. We will continue to focus on developing higher value-added construction services with our research and development capabilities to strengthen our competitive advantage and improve our pricing power.

Recognition of revenue from construction contracts

Our projects include steel structure projects and prefabricated construction projects, and we recognise our revenue from construction contracts and make progress billing based on the percentage of completion of our projects. Pursuant to the percentage of completion accounting method, revenues and profits are recognised ratably over the term of a contract based generally on the progress of the project. A certificate will be issued to confirm completion of our work at a certain stage. Therefore, our recognition of revenue from construction contracts and operating cash flow largely depend on the progress of steel structure projects and prefabricated construction projects which are affected by various factors, such as the progress of building construction, regulatory approval process and weather conditions.

Cost of sales

Construction costs which mainly comprise costs of materials and installation costs are estimated by our management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the experience of our management. The cost of principal raw materials at the time of signing the relevant purchase contracts which are estimated based on the budgets then prepared, may not reflect the costs that we would eventually incur during execution of our projects. The actual costs incurred in executing our projects may vary from the assumptions underlying our budgets for several reasons, including unanticipated delay in project completion and unforeseen construction conditions which may require additional costs to complete the relevant project. These variations, and the risks which are generally inherent in the construction industry, may result in our profits being different from those originally estimated and may result in reduced profitability or losses on our projects.

Sensitivity analysis

The following table illustrates the sensitivity analysis of the estimated increase/decrease of our consolidated profit in relation to general percentage changes to the prices of our principal raw materials, with all other variables held constant:

	Year ended 31 December			**Six months ended 30 June**
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Principal raw materials prices increase/decrease by:				
5%	7,552	9,306	14,331	10,461
10%	15,105	18,613	28,661	20,921
15%	22,657	27,919	42,992	31,382

Increase in the principal raw material prices would lead to decrease in our consolidated profit, and vice-versa.

CRITICAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND JUDGEMENTS

Our accounting policies are important for an understanding of our financial condition and results of operation. We have identified certain accounting policies and accounting estimates and judgements that are significant to the preparation of our financial information. We set out below those accounting policies and accounting estimates and judgements that we believe are most important for preparing our financial information.

Accounting policies

Construction contracts

When the outcome of a fixed price construction contract can be estimated reliably, revenue is recognised using the percentage of completion method, measured by reference to the the value of work performed during the year or period. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred for work performed to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statements of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statements of financial position under trade receivables.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress as described below are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than construction in progress, less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress including property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with our Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognised in profit or loss.

The items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis over their estimated useful lives and after taking into account of their estimated residual values, at the following rates per annum:

Buildings and structures	5%
Plant and machinery	10%
Office equipment	5%-19%
Motor vehicles	10%-19%

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Our Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, our Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to our Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statements of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Key sources of estimation uncertainty

In the application of our Group’s accounting policies, our Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Construction contracts

Our Group recognises the amount of attributable profit or foreseeable losses from construction contracts based on the latest available budgets of those construction contracts with reference to the overall performance of each construction contract which requires management's best estimates and judgements. Construction revenue is estimated in accordance with the terms set out in the relevant contracts. Construction costs which mainly comprise installation costs and costs of materials are estimated by our management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the experience of our management. Because of the nature of the construction industry, our management regularly reviews the progress of the contracts and the estimated construction revenue and construction costs. Any change in the estimates of construction revenue or construction cost will affect the amount of foreseeable losses, or attributable profits recognised in the profit or loss prospectively in each reporting period using the percentage of completion method.

Estimated impairment of trade and bills receivables

When there is objective evidence of impairment loss, our Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2010, 2011 and 2012, and 30 June 2013, the carrying amounts of trade and bills receivables were approximately RMB171.7 million, RMB191.0 million, RMB229.1 million and RMB359.4 million, respectively.

SUMMARY OF RESULTS OF OPERATIONS DURING THE TRACK RECORD PERIOD

The following table is the extract of the consolidated statements of profit or loss and other comprehensive income during the Track Record Period, details of which are set out in the Accountants' Report in Appendix I to this prospectus.

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue	406,904	646,818	1,048,078	673,400	815,281
Cost of sales	(302,875)	(456,941)	(711,877)	(457,048)	(547,800)
Gross profit	104,029	189,877	336,201	216,352	267,481
Other income	3,788	4,044	7,993	1,960	2,627
Selling and marketing expenses	(2,352)	(3,389)	(1,106)	(849)	(1,027)
Administrative expenses	(8,826)	(11,205)	(15,271)	(6,419)	(6,360)
Other expenses	–	–	(11,078)	(4,762)	(11,169)
Finance costs	(7,599)	(7,778)	(8,506)	(5,900)	–
Profit before tax	89,040	171,549	308,233	200,382	251,552
Income tax expense	(27,758)	(53,587)	(104,406)	(66,870)	(85,199)
Profit and total comprehensive income for the year/period attributable to owners of the Company	61,282	117,962	203,827	133,512	166,353
Earnings per share					
Basic (RMB cents)	5.11	9.83	16.99	11.13	13.86

Principal items of consolidated statements of profit or loss and other comprehensive income

Revenue

We derive our revenue mainly from provision of integrated construction solutions in steel structure projects and prefabricated construction projects in the PRC. Our Group recorded revenue of approximately RMB406.9 million, RMB646.8 million, RMB1,048.1 million, RMB673.4 million and RMB815.3 million for the three years ended 31 December 2012, and the six months ended 30 June 2012 and 30 June 2013, respectively.

Breakdown of revenue

The following tables set out a breakdown of our revenue in terms of (i) steel structure projects and prefabricated construction projects; and (ii) public structure projects and non-public structure projects:

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Construction of										
– steel structure projects	406,904	100.0	518,029	80.1	812,614	77.5	544,929	80.9	549,650	67.4
– prefabricated construction projects	–	–	128,789	19.9	235,464	22.5	128,471	19.1	265,631	32.6
Total	406,904	100.0	646,818	100.0	1,048,078	100.0	673,400	100.0	815,281	100.0
Construction of										
– public structure projects	138,626	34.1	179,450	27.7	328,494	31.3	167,328	24.8	510,244	62.6
– non-public structure projects	268,278	65.9	467,368	72.3	719,584	68.7	506,072	75.2	305,037	37.4
Total	406,904	100.0	646,818	100.0	1,048,078	100.0	673,400	100.0	815,281	100.0

Steel structure projects and prefabricated construction projects

(i) Steel structure projects

The number of steel structure projects with revenue recognised during the three years ended 31 December 2012 and the six months ended 30 June 2012 and 30 June 2013 amounted to 34, 37, 27, 21 and 19 projects, respectively. Among the 27 steel structure projects with revenue recognised during the year ended 31 December 2012, one project involved both steel structure parts and prefabricated construction materials.

The increase in the revenue derived from steel structure projects for the two years ended 31 December 2011 was mainly due to increase in the number of projects with revenue recognised. For the year ended 31 December 2012, the increase in revenue was primarily due to increase in the scale and average revenue per project of steel structure projects with revenue recognised, which increased from approximately RMB14.0 million for the year ended 31 December 2011 to approximately RMB30.1 million for the year ended 31 December 2012. The increase in revenue derived from steel structure projects for the six months ended 30 June 2013 as compared to the six months ended 30 June 2012 was mainly due to increase in the average revenue per project of steel structure projects with revenue recognised from approximately RMB25.9 million for the six months ended 30 June 2012 to approximately RMB28.9 million for the six months ended 30 June 2013.

For the three years ended 31 December 2012, our revenue was mainly generated from a number of projects of factory premises and warehouses which represented approximately 65.9%, 87.4% and 87.4% of our revenue derived from steel structure projects, respectively. For the six months ended 30 June 2012 and the six months ended 30 June 2013, our revenue was mainly generated from a number of projects of factory premises and warehouses which represented approximately 86.8% and 61.8% of our revenue derived from steel structure projects respectively.

(ii) Prefabricated construction projects

We commenced our engagement in prefabricated construction projects in late 2010. During the Track Record Period, our prefabricated construction projects included residential buildings (including social security housing), factory and shopping mall.

For the six months ended 30 June 2013, we had six prefabricated construction projects with revenue recognised, whose average revenue per project amounted to approximately RMB44.3 million, as compared to five prefabricated construction projects for the six months ended 30 June 2012, whose average revenue per project amounted to approximately RMB25.7 million, which resulted in the increase of revenue for the six months ended 30 June 2013. For the year ended 31 December 2012, we had seven prefabricated construction projects with revenue recognised as compared to three prefabricated construction projects in the year ended 31 December 2011 which resulted in the increase of revenue for the year ended 31 December 2012. Among the seven prefabricated construction projects with revenue recognised during the year ended 31 December 2012, one project involved both steel structure parts and prefabricated construction materials.

For the two years ended 31 December 2012 and the six months ended 30 June 2012 and 30 June 2013, included in our prefabricated construction projects was revenue generated from construction of social security housing, which amounted to approximately RMB101.2 million, RMB131.3 million, RMB49.4 million and RMB265.6 million, respectively, and represented approximately 78.6%, 55.7%, 38.5% and 100.0% of our revenue from prefabricated construction projects, respectively.

Public structure projects and non-public structure projects

(i) Public structure projects

During the Track Record Period, public structure projects that we engaged in primarily included PRC government invested or operated projects, including social security housing, bridges, government offices, stadiums, public transportation facilities and sports centres. In general, the supply of these public structures is more resilient to fluctuation in the market or economic downturn as the construction of public structures is usually well planned and prepared years ahead according to the policies of the PRC government. Moreover, the PRC government, as the property owner or customer of these projects has lower credit risk. On the other hand, non-public structure projects are more market or economy driven and subject to higher credit risk of property owner or customers who are not directly related to the PRC government.

The number of public structure projects in execution for the three years ended 31 December 2012 and the six months ended 30 June 2012 and 30 June 2013 amounted to 5, 6, 8, 6 and 13 projects, respectively. The increase in revenue for the year ended 31 December 2011 as compared to the year ended 31 December 2010 was mainly due to that in 2011 (i) we executed a number of prefabricated construction projects in the amount of approximately RMB128.8 million; and (ii) we executed and recognised revenue for a number of projects including an exhibition centre, a sports centre and a bridge in the amount of approximately RMB50.7 million, comparing to year 2010 during which we only executed and recognised revenue for a number of projects including train stations, an exhibition centre and a bridge in the amount of approximately RMB138.6 million. The increase in revenue for the year ended 31 December 2012 as compared to the year ended 31 December 2011 was mainly due to that we executed a number of prefabricated construction projects in the amount of approximately RMB194.1 million. The increase in revenue for the six months ended 30 June 2013 as compared to the six months ended 30 June 2012 was mainly because (i) we executed and recognised revenue for a number of prefabricated construction projects in the amount of approximately RMB265.6 million; and (ii) we executed and recognised revenue for a number of projects including a sports centre, factory premises, bridges, steel parts for detachable accommodation and government office buildings in the amount of approximately RMB244.6 million, compared with projects including factory premises and a bridge in the amount of approximately RMB80.2 million in the six months ended 30 June 2012.

(ii) Non-public structure projects

For the three years ended 31 December 2012 and the six months ended 30 June 2012 and 30 June 2013, non-public structure projects we engaged were mainly factory premises. The number of non-public structure projects with revenue recognised for the three years ended 31 December 2012 and the six months ended 30 June 2013 amounted to 29, 34, 25, 20 and 12 projects, respectively. The increase in revenue for the year ended 31 December 2011 as compared to the year ended 31 December 2010 was mainly due to that in 2011 we executed and recognised revenue for a number of projects including factory premises and warehouses in the amount of approximately RMB450.2 million; as compared to that in 2010, we only executed and recognised revenue of approximately RMB257.9 million for the similar projects. The increase in revenue for the year ended 31 December 2012 as compared to the year ended 31 December 2011 was mainly due to that in 2012 we executed and recognised revenue for a number of projects including factory premises and warehouses in the amount of approximately RMB678.3 million. The decrease in revenue for the six months ended 30 June 2013 as compared to the six months ended 30 June 2012 was mainly because we only executed and recognised revenue for a number of non-public projects of factory premises in the amount of approximately RMB265.2 million during the six months ended 30 June 2013, as compared with the total revenue from non-public projects of factory premises executed during the six months ended 30 June 2012 in the amount of approximately RMB464.8 million.

Cost of sales

Our cost of sales was recognised based on the latest available budgets of our construction contracts with reference to the stage of completion of each construction contract which requires management's best estimates and judgements. Construction costs are estimated by our management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the experience of our management.

Breakdown of cost of sales

The following tables set out a breakdown of our cost of sales in terms of (i) steel structure projects and prefabricated construction projects; and (ii) public structure projects and non-public structure projects:

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Construction of										
– steel structure projects	302,875	100.0	381,119	83.4	567,584	79.7	382,152	83.6	393,588	71.8
– prefabricated construction projects	–	–	75,822	16.6	144,293	20.3	74,896	16.4	154,212	28.2
Total	302,875	100.0	456,941	100.0	711,877	100.0	457,048	100.0	547,800	100.0

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Construction of										
– public structure projects	102,729	33.9	108,585	23.8	216,266	30.4	109,773	24.0	320,254	58.5
– non-public structure projects	200,146	66.1	348,356	76.2	495,611	69.6	347,275	76.0	227,546	41.5
Total	302,875	100.0	456,941	100.0	711,877	100.0	457,048	100.0	547,800	100.0

Steel structure projects

For the three years ended 31 December 2012 and the six months ended 30 June 2012 and 30 June 2013, our cost of sales was mainly attributed to a number of projects of factory premises and warehouses which represented approximately 66.1%, 87.5%, 87.2%, 86.6% and 62.8% of our total cost of sales for steel structure projects, respectively. For the six months ended 30 June 2013, approximately 37.2% of our cost of sales for steel structure projects was mainly attributed to a number of projects of bridges, a sports centre, steel parts for detachable accommodation and office buildings.

Prefabricated construction projects

For the two years ended 31 December 2012 and the six months ended 30 June 2012 and 30 June 2013, our cost of sales was mainly attributed to the three, seven, five and six prefabricated construction projects, respectively.

Public structure projects

For the three years ended 31 December 2012 and the six months ended 30 June 2012 and 30 June 2013, our cost of sales was mainly attributable to (i) a number of projects including train stations, an exhibition centre and a bridge of approximately RMB102.7 million; (ii) a number of prefabricated construction projects of approximately RMB75.8 million; (iii) a number of prefabricated construction projects of approximately RMB122.4 million; (iv) a number of projects including bridges and a factory premise of approximately RMB56.4 million; and (v) a number of prefabricated construction projects of approximately RMB154.2 million, respectively.

Non-public structure projects

For the three years ended 31 December 2012 and the six months ended 30 June 2012 and 30 June 2013, our cost of sales was mainly attributable to a number of projects including factory premises and warehouses of approximately RMB193.1 million, RMB330.7 million, RMB473.7 million, RMB325.7 million and RMB200.8 million, respectively.

Actual costs

The actual costs incurred in executing our projects may vary from the assumptions underlying our budgets for several reasons, including unanticipated delay in project completion and unforeseen construction conditions which may require additional costs to complete the relevant project. These variations, together with the risks which are generally inherent in the construction industry, may result in our profits being different from those originally estimated and may result in reduced profitability or losses on our projects.

During the Track Record Period, we incurred construction costs for completing the construction projects which mainly comprised costs of materials and installation costs. Our principal raw materials included different kinds of steel materials, colour-coated steel coil, heat insulated materials and concrete. We also engaged third party installation teams to assist us to perform installation of steel structure parts and prefabricated construction materials at the work sites.

The following table shows the breakdown of our total actual construction costs incurred for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2010		**2011**		**2012**		**2012**		**2013**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Raw material costs	219,463	66.9	270,683	62.7	433,426	61.3	284,063	61.1	316,362	58.5
Installation costs	79,846	24.3	121,417	28.1	211,189	29.9	141,675	30.5	177,063	32.7
Direct labour costs	8,526	2.6	12,834	3.0	19,616	2.8	10,894	2.3	15,650	2.9
Others[1]	20,174	6.2	26,557	6.2	42,976	6.0	28,001	6.1	31,681	5.9
Total actual construction costs incurred	328,009	100.0	431,491	100.0	707,207	100.0	464,633	100.0	540,756	100.0

Note:

(1) Others comprised mainly overhead costs incurred in the manufacturing of steel structure parts and prefabricated construction materials

Other income

Other income comprised mainly (i) interest income on bank deposits; and (ii) sales of scrapped materials.

Selling and marketing expenses

Selling and marketing expenses comprised mainly staff costs, business development expenses and advertising expenses.

Administrative expenses

Administrative expenses comprised mainly staff costs and benefits, depreciation, motor expenses, stamp duties and other taxes, research and development expenses and business development expenses.

Other expenses

Other expenses comprised mainly professional fees and other expenses related to the Listing.

Finance costs

Finance costs comprised interest on bank loans which are wholly repayable within five years and interest on bills financing arrangement.

Income tax expense

Income tax expense represented the PRC Enterprise Income Tax and deferred tax provided by our Group. Our Group recorded income tax expense of approximately RMB27.8 million, RMB53.6 million, RMB104.4 million, RMB66.9 million and RMB85.2 million for the three years ended 31 December 2012 and the six months ended 30 June 2012 and 30 June 2013, respectively.

Provision for the PRC Enterprise Income Tax for the Track Record Period was made based on the estimated assessable profits calculated in accordance with the relevant income tax laws, and regulations applicable to the subsidiary operated in the PRC. Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulations of the EIT Law, the tax rate of Saite Steel (Jiangsu) was 25% during the Track Record Period.

According to a joint circular of the Ministry of Finance and State Administration of Taxation – Cai Shui 2008 No. 1, dividend distributed out of the profits generated by subsidiaries established in the PRC to "non PRC-resident" investors since 1 January 2008 shall be subject to PRC Enterprise Income Tax and tax payment to be withheld by the PRC entity pursuant to Articles 3 and 27 of the Income Tax Law Concerning Foreign Investment Enterprises and Foreign Enterprises and Article 91 of the Detailed Rules for the Implementation of the Income Tax Law for Enterprises with Foreign Investment Enterprises and Foreign Enterprises. Deferred tax charge on undistributed earnings has been provided for the Track Record Period based on the profits generated by subsidiaries established in the PRC to "non PRC-resident" investors since 1 January 2008.

Our effective tax rates for the three years ended 31 December 2012 and the six months ended 30 June 2012 and 30 June 2013 were approximately 31.2%, 31.2%, 33.9%, 33.4% and 33.9%, respectively.

Profit and total comprehensive income attributable to owners of our Company

We recorded a significant net profit growth of approximately 92.5% from 2010 to 2011 and approximately 72.7% from 2011 to 2012, as our net profit increased from approximately RMB61.3 million for the year ended 31 December 2010 to approximately RMB118.0 million for the year ended 31 December 2011, then to approximately RMB203.8 million for the year ended 31 December 2012 primarily due to (i) the improvement in our capacity and capability to obtain contract for more steel structure projects during 2010; (ii) we were able to obtain contract for prefabricated construction projects in the PRC since late 2010; and (iii) increase in the scale and average revenue of the projects being recognised.

We recorded a net profit growth of approximately 24.6% from the six months ended 30 June 2012 to the six months ended 30 June 2013 as our net profit increased from approximately RMB133.5 million for the six months ended 30 June 2012 to approximately RMB166.4 million for the six months ended 30 June 2013 primarily due to (i) increase in the scale and average revenue of the projects being recognised; and (ii) increase in revenue generated from our prefabricated construction projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Six months ended 30 June 2012 compared to six months ended 30 June 2013

Revenue

For the six months ended 30 June 2013, we recorded revenue from construction of (i) steel structure projects of approximately RMB549.7 million, representing approximately 67.4% of our total revenue; and (ii) prefabricated construction projects of approximately RMB265.6 million, representing approximately 32.6% of our total revenue. For the six months ended 30 June 2012, we recorded revenue from (i) steel structure projects of approximately RMB544.9 million, representing approximately 80.9% of our total revenue; and (ii) prefabricated construction projects of approximately RMB128.5 million, representing approximately 19.1% of our total revenue.

Our total revenue increased by approximately 21.1%, from approximately RMB673.4 million for the six months ended 30 June 2012 to approximately RMB815.3 million for the six months ended 30 June 2013. The increase was mainly due to increase in revenue from both steel structure projects and prefabricated construction projects.

The revenue attributable to steel structure projects increased by approximately 0.9% from approximately RMB544.9 million for the six months ended 30 June 2012 to approximately RMB549.7 million for the six months ended 30 June 2013. The increase was primarily due to the increase in average revenue per steel structure project with revenue recognised from approximately RMB25.9 million for the six months ended 30 June 2012 to approximately RMB28.9 million for the six months ended 30 June 2013. Our revenue generated from (i) the execution of a number of projects including bridges, sports centre, steel parts for detachable accommodation and office buildings increased by approximately 191.0% from approximately RMB72.2 million for the six months ended 30 June 2012 to approximately RMB210.1 million for the six months ended 30 June 2013, primarily due to that we only executed projects for bridges in the six months ended 30 June 2012; and (ii) execution of factory premises and warehouses projects decreased by 28.2% from approximately RMB472.8 million for the six months ended 30 June 2012 to approximately RMB339.6 million for the six months ended 30 June 2013 primarily due to the decrease in average contract value and the number of such projects.

The revenue attributable to prefabricated construction projects increased by approximately 106.7% from approximately RMB128.5 million for the six months ended 30 June 2012 to approximately RMB265.6 million for the six months ended 30 June 2013. The increase was primarily due to the increase in the number and scale of prefabricated construction projects from five projects, whose average revenue per project amounted to approximately RMB25.7 million, for the six months ended 30 June 2012 to six projects, whose average revenue per project amounted to approximately RMB44.3 million, for the six months ended 30 June 2013.

Cost of sales

Our cost of sales increased by approximately 19.9%, from RMB457.0 million for the six months ended 30 June 2012 to approximately RMB547.8 million for the six months ended 30 June 2013. The increase in cost of sales was generally in line with the growth in revenue from steel structure projects and prefabricated construction projects.

The cost of sales attributable to steel structure projects increased by approximately 3.0% from approximately RMB382.2 million for the six months ended 30 June 2012 to approximately RMB393.6 million for the six months ended 30 June 2013. The increase in cost of sales of steel structure projects was generally in line with the increase in revenue of steel structure projects during the same period.

The cost of sales attributable to prefabricated construction projects increased by approximately 105.9% from approximately RMB74.9 million for the six months ended 30 June 2012 to approximately RMB154.2 million for the six months ended 30 June 2013. The increase in costs of sales of prefabricated construction projects was generally in line with the increase in revenue of prefabricated construction projects during the same period.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately 23.6%, from approximately RMB216.4 million for the six months ended 30 June 2012 to approximately RMB267.5 million for the six months ended 30 June 2013. The increase in gross profit was primarily due to the increase in our revenue for the six months ended 30 June 2013 as compared to that for the six months ended 30 June 2012, which outweighed the increase in our cost of sales.

Steel structure projects and prefabricated construction projects

The gross profit attributable to steel structure projects decreased by approximately 4.1% from approximately RMB162.8 million for the six months ended 30 June 2012 to approximately RMB156.1 million for the six months ended 30 June 2013. The gross profit margin of steel structure projects decreased from approximately 29.9% to 28.4%. The decrease in total gross profit and total gross profit margin of the steel structure projects as compared to the six months ended 30 June 2012 was primarily because, having regard to the future business opportunities on the long term business relationship with the relevant customers, we undertook four steel structure projects with comparably lower gross profit margin of approximately 17% or below which accounted for approximately 8.8% of the total gross profit for our steel structure projects for the six months ended 30 June 2013.

The gross profit attributable to prefabricated construction projects increased by approximately 107.8% from approximately RMB53.6 million for the six months ended 30 June 2012 to approximately RMB111.4 million for the six months ended 30 June 2013. Our total gross profit margin of the prefabricated construction projects remained stable at approximately 41.9% for the six months ended 30 June 2013, compared to approximately 41.7% for the six months ended 30 June 2012. The increase in the total gross profit was primarily due to the increase in the number of social security housing projects which had higher average contract value in 2013 as compared with the prefabricated construction projects executed in 2012.

Public structure projects and non-public structure projects

The gross profit attributable to public structure projects increased by approximately 229.9% from approximately RMB57.6 million for the six months ended 30 June 2012 to approximately RMB190.0 million for the six months ended 30 June 2013. The gross profit margin of public structure projects slightly increased from approximately 34.4% to 37.2%. The increase in total gross profit and the total gross profit margin of the public structure projects was primarily because our Group undertook more social security housing projects during the period.

The gross profit attributable to non-public structure projects decreased by approximately 51.2% from approximately RMB158.8 million for the six months ended 30 June 2012 to approximately RMB77.5 million for the six months ended 30 June 2013. The gross profit margin of non-public structure projects decreased from approximately 31.4% to 25.4%. The decrease in the total gross profit and the total gross profit margin of our non-public structure projects was primarily due to (i) the decrease in the number of non-public structure projects with revenue recognised during the six months ended 30 June 2013; and (ii) that, having regard to the future business opportunities on the long term business relationship with the relevant customers, we undertook four non-public structure projects which accounted for approximately 30.2% of the total revenue for non-public structure projects for the six months ended 30 June 2013 with comparably lower gross profit margin as compared to the six months ended 30 June 2012.

Other income

Our other income increased by approximately 30.0%, from approximately RMB2.0 million for the six months ended 30 June 2012 to RMB2.6 million for the six months ended 30 June 2013. Such increase was primarily due to the increase in sales of scrapped materials by approximately RMB1.8 million.

Selling and marketing expenses

Our selling and marketing expenses increased by approximately 25.0%, from approximately RMB0.8 million for the six months ended 30 June 2012 to approximately RMB1.0 million for the six months ended 30 June 2013. Such increase was primarily due to increase in our advertising expenses of approximately RMB0.2 million for the production of advertising materials.

Administrative expenses

Our administrative expenses remained stable at approximately RMB6.4 million for the six months ended 30 June 2012 and for the six months ended 30 June 2013. Our staff costs and benefits increased by approximately RMB0.4 million offset by a decrease in depreciation of approximately RMB0.2 million and a decrease in general legal and professional fees (not related to the Listing) of approximately RMB0.2 million.

Other expenses

Our other expenses increased by approximately 133.3%, from approximately RMB4.8 million for the six months ended 30 June 2012 to approximately RMB11.2 million for the six months ended 30 June 2013. Such increase was primarily due to increase in professional fees and other expenses related to the Listing.

Finance costs

We recorded finance costs of approximately RMB5.9 million for the six months ended 30 June 2012. We did not record any finance costs for the six months ended 30 June 2013.

Profit before tax

Our profit before tax increased by approximately 25.5%, from approximately RMB200.4 million for the six months ended 30 June 2012 to approximately RMB251.6 million for the six months ended 30 June 2013. Such increase was primarily due to increase in our gross profit of approximately RMB51.1 million for the six months ended 30 June 2013 as compared to that for the six months ended 30 June 2012.

Income tax expense

Our income tax expense increased by approximately 27.4%, from approximately RMB66.9 million for the six months ended 30 June 2012 to approximately RMB85.2 million for the six months ended 30 June 2013. Our effective tax rate increased from 33.4% for the six months ended 30 June 2012 to 33.9% for the six months ended 30 June 2013 was primarily due to (i) increase in gross profit; and (ii) the professional fees and other expenses incurred for the Listing during the six months ended 30 June 2013, which were not deductible for tax purpose.

Profit for the period

Based on the cumulative effect of the foregoings, our profit and total comprehensive income for the period attributable to owners of our Company increased by approximately 24.6%, from approximately RMB133.5 million for the six months ended 30 June 2012 to approximately RMB166.4 million for the six months ended 30 June 2013. Our net profit margin for the period increased from approximately 19.8% for the six months ended 30 June 2012 to approximately 20.4% for the six months ended 30 June 2013.

Year ended 31 December 2012 compared to year ended 31 December 2011

Revenue

For the year ended 31 December 2012, we recorded revenue from construction of (i) steel structure projects of approximately RMB812.6 million, representing approximately 77.5% of our total revenue; and (ii) prefabricated construction projects of approximately RMB235.5 million, representing approximately 22.5% of our total revenue. For the year ended 31 December 2011, we recorded revenue from (i) steel structure projects of approximately RMB518.0 million, representing approximately 80.1% of our total revenue; and (ii) prefabricated construction projects of approximately RMB128.8 million, representing approximately 19.9% of our total revenue.

Our total revenue increased by approximately 62.0%, from approximately RMB646.8 million for the year ended 31 December 2011 to approximately RMB1,048.1 million for the year ended 31 December 2012. The increase was mainly due to increase in revenue from both steel structure projects and prefabricated construction projects.

The revenue attributable to steel structure projects increased by approximately 56.9% from approximately RMB518.0 million for the year ended 31 December 2011 to approximately RMB812.6 million for the year ended 31 December 2012. The increase was primarily due to the increase in average revenue per steel structure project with revenue recognised from approximately RMB14.0 million for the year ended 31 December 2011 to approximately RMB30.1 million for the year ended 31 December 2012. Our revenue generated from execution of factory premises and warehouses projects increased by 57.0% from approximately RMB452.6 million for the year ended 31 December 2011 to approximately RMB710.3 million for the year ended 31 December 2012 primarily due to increase in average size of the contract value of these projects while the number of these projects decreased.

The revenue attributable to prefabricated construction projects increased by approximately 82.8% from approximately RMB128.8 million for the year ended 31 December 2011 to approximately RMB235.5 million for the year ended 31 December 2012. The increase was primarily due to increase in the number of prefabricated construction projects from three projects for the year ended 31 December 2011 to seven projects for the year ended 31 December 2012. The prefabricated construction projects enjoy a higher growth rate than that of the steel structure projects because we had only commenced our business in prefabricated construction projects in late 2010.

Cost of sales

Our cost of sales increased by approximately 55.8%, from RMB456.9 million for the year ended 31 December 2011 to approximately RMB711.9 million for the year ended 31 December 2012. The increase in cost of sales was due to increase in cost of sales from both steel structure projects and prefabricated construction projects.

The cost of sales attributable to steel structure projects increased by approximately 48.9% from approximately RMB381.1 million for the year ended 31 December 2011 to approximately RMB567.6 million for the year ended 31 December 2012. The increase in cost of sales of steel structure projects was mainly due to increase in cost of sales of a number of projects including factory premises and warehouses from approximately RMB333.5 million in 2011 to approximately RMB495.1 million in 2012.

The cost of sales attributable to prefabricated construction projects increased by approximately 90.4% from approximately RMB75.8 million for the year ended 31 December 2011 to approximately RMB144.3 million for the year ended 31 December 2012. The increase in costs of sales of prefabricated construction projects was in line with the increase in revenue of prefabricated construction projects during the same period.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately 77.0%, from approximately RMB189.9 million for the year ended 31 December 2011 to approximately RMB336.2 million for the year ended 31 December 2012. The increase in gross profit was primarily due to the significant increase in our revenue for the year ended 31 December 2012 as compared to that for the year ended 31 December 2011, which outweighed the increase in our cost of sales.

Steel structure projects and prefabricated construction projects

The gross profit attributable to steel structure projects increased by approximately 79.0% from approximately RMB136.9 million for the year ended 31 December 2011 to approximately RMB245.0 million for the year ended 31 December 2012. The gross profit margin of steel structure projects increased from approximately 26.4% to 30.2%. The increase in total gross profit and total gross profit margin of the steel structure projects was primarily due to that our

Group undertook two steel structure projects of medical equipment manufacturing and machinery manufacturing factory premises with higher gross profit margin which were technically more complicated to construct.

The gross profit attributable to prefabricated construction projects increased by approximately 72.1% from approximately RMB53.0 million for the year ended 31 December 2011 to approximately RMB91.2 million for the year ended 31 December 2012. The increase in total gross profit of prefabricated construction projects was primarily due to the increase in the number of prefabricated construction projects with revenue recognised being undertaken during the period. Our total gross profit margin of the prefabricated construction projects decreased from approximately 41.1% for the year ended 31 December 2011 to approximately 38.7% for the year ended 31 December 2012. The decrease in total gross profit of prefabricated construction projects was primarily due to that we undertook a prefabricated construction project which accounted for approximately 26.7% of the total revenue for the year ended 31 December 2012 with a comparably lower gross profit margin than the rest of the prefabricated construction projects in 2012 having regard to the future business opportunity with this customer.

Public structure projects and non-public structure projects

The gross profit attributable to public structure projects increased by approximately 58.3% from approximately RMB70.9 million for the year ended 31 December 2011 to approximately RMB112.2 million for the year ended 31 December 2012. The gross profit margin of public structure projects decreased from approximately 39.5% to 34.2%. The increase in total gross profit of the public structure projects was primarily due to that our Group undertook more social security housing and steel bridges which had higher average contract values. The decrease in total gross profit margin of the public structure projects was primarily due to the lower gross profit margins for those aforementioned higher average contract value projects.

The gross profit attributable to non-public structure projects increased by approximately 88.2% from approximately RMB119.0 million for the year ended 31 December 2011 to approximately RMB224.0 million for the year ended 31 December 2012. The gross profit margin of non-public structure projects increased from approximately 25.5% to 31.1%. The increase in total gross profit and total gross profit margin of the non-public structure projects was primarily due to that our Group undertook two steel structure projects of medical equipment manufacturing and machinery manufacturing factory premises with higher gross profit margin which were technically more complicated to construct.

Other income

Our other income increased by approximately 100.0%, from approximately RMB4.0 million for the year ended 31 December 2011 to RMB8.0 million for the year ended 31 December 2012. Such increase was primarily due to (i) the increase of our interest income on bank deposits by approximately RMB1.7 million as our average bank balances increased during the period; and (ii) the increase in sale of scrapped materials by approximately RMB2.1 million.

Selling and marketing expenses

Our selling and marketing expenses decreased by approximately 67.6%, from approximately RMB3.4 million for the year ended 31 December 2011 to approximately RMB1.1 million for the year ended 31 December 2012. Such decrease was primarily due to decrease in our business development expenses by approximately RMB2.1 million.

Administrative expenses

Our administrative expenses increased by approximately 36.6%, from approximately RMB11.2 million for the year ended 31 December 2011 to approximately RMB15.3 million for the year ended 31 December 2012. Such increase was primarily due to (i) increase in our staff costs of approximately RMB1.5 million as the number of our staff increased; (ii) increase in our legal and professional fees of approximately RMB0.3 million for capitalisation of a shareholder's loan of RMB50.0 million by Modern Day; and (iii) increase in other tax that we incurred during the period of approximately RMB3.6 million mainly for the issuance of sales invoices in regions other than Yixing City.

Other expenses

We did not record any other expenses for the year ended 31 December 2011, while we recorded other expenses of approximately RMB11.1 million for the year ended 31 December 2012. Such other expenses represented professional fees and other expenses related to the Listing.

Finance costs

Our finance costs increased by approximately 9.0%, from approximately RMB7.8 million for the year ended 31 December 2011 to approximately RMB8.5 million for the year ended 31 December 2012. Such increase was primarily due to the increase in our average bank borrowings balances.

Profit before tax

Our profit before tax increased by approximately 79.7%, from approximately RMB171.5 million for the year ended 31 December 2011 to approximately RMB308.2 million for the year ended 31 December 2012. Such increase was primarily due to increase in our gross profit of approximately RMB146.3 million for the year ended 31 December 2012 as compared to that for the year ended 31 December 2011.

Income tax expense

Our income tax expense increased by approximately 94.8%, from approximately RMB53.6 million for the year ended 31 December 2011 to approximately RMB104.4 million for the year ended 31 December 2012. Our effective tax rate increased from 31.2% for the year ended 31 December 2011 to 33.9% for the year ended 31 December 2012 was primarily due to (i) increase in gross profit; and (ii) the professional fees and other expenses incurred for the Listing during the year ended 31 December 2012, which were not deductible for tax purpose.

Profit for the year

Based on the cumulative effect of the foregoings, our profit and total comprehensive income for the year attributable to owners of our Company increased by approximately 72.7%, from approximately RMB118.0 million for the year ended 31 December 2011 to approximately RMB203.8 million for the year ended 31 December 2012. Our net profit margin for the period increased from approximately 18.2% for the year ended 31 December 2011 to approximately 19.4% for the year ended 31 December 2012.

Year ended 31 December 2011 compared to year ended 31 December 2010

Revenue

For the year ended 31 December 2011, we recorded revenue from (i) steel structure projects of approximately RMB518.0 million, representing approximately 80.1% of our total revenue; and (ii) prefabricated construction projects of approximately RMB128.8 million, representing approximately 19.9% of our total revenue. For the year ended 31 December 2010, our revenue of approximately RMB406.9 million was wholly generated from steel structure projects.

Our revenue increased by approximately 59.0%, from approximately RMB406.9 million for the year ended 31 December 2010 to approximately RMB646.8 million for the year ended 31 December 2011 primarily due to the increase in the number of our steel structure projects with revenue recognised and our commencement in recognising revenue in 2011 for our prefabricated construction business which started in the PRC in late 2010.

The revenue attributable to steel structure projects increased by approximately 27.3% from approximately RMB406.9 million for the year ended 31 December 2010 to approximately RMB518.0 million for the year ended 31 December 2011, primarily due to the increase in the number of steel structure projects with revenue recognised from 34 projects for the year ended 31 December 2010 to 37 projects for the year ended 31 December 2011. Our revenue generated from projects of factories and warehouses increased by 68.7% from approximately RMB268.3 million for the year ended 31 December 2010 to approximately RMB452.6 million primarily for the year ended 31 December 2011 due to increase in number of these projects with revenue recognised being executed during the year.

We undertook three prefabricated construction projects for the year ended 31 December 2011. Among such three prefabricated construction projects, there were social security housing (namely, 宜興氿北花園一期 (Yixing Jiubei Garden Phase I)) and public facilities (namely, 宜興大溪河北岸公建一號 (Yixing Daxihe North Coast Public Structure No. 1) and 宜興大溪河北岸公建二號 (Yixing Daxihe North Coast Public Structure No. 2)).

Cost of sales

Our cost of sales increased by approximately 50.8%, from RMB302.9 million for the year ended 31 December 2010 to approximately RMB456.9 million for the year ended 31 December 2011. The increase in cost of sales was due to increase in cost of sales from both steel structure projects and prefabricated construction projects.

The cost of sales attributable to steel structure projects increased by approximately 25.8% from approximately RMB302.9 million for the year ended 31 December 2010 to approximately RMB381.1 million for the year ended 31 December 2011. The increase in cost of sales of steel structure projects was mainly due to increase in cost of sales of a number of projects including factory premises and warehouses from approximately RMB200.1 million in 2010 to approximately RMB333.5 million in 2011.

We commenced prefabricated construction projects in late 2010 and we recognised cost of sales for prefabricated construction projects from 2011. The cost of sales attributable to prefabricated construction projects for the year ended 31 December 2011 was approximately RMB75.8 million.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately 82.6%, from approximately RMB104.0 million for the year ended 31 December 2010 to approximately RMB189.9 million for the year ended 31 December 2011. The increase in gross profit was primarily due to the increase in our revenue as compared with that for the year ended 31 December 2010.

Steel structure projects and prefabricated construction projects

The gross profit attributable to steel structure projects increased by approximately 31.6% from approximately RMB104.0 million for the year ended 31 December 2010 to approximately RMB136.9 million for the year ended 31 December 2011. The gross profit margin of steel structure projects increased slightly from approximately 25.6% to 26.4%. The increase in gross profit and gross profit margin was primarily due to increase in execution of factory premises and warehouses projects.

We commenced prefabricated construction projects in late 2010. The gross profit attributable to prefabricated construction projects was approximately RMB53.0 million for the year ended 31 December 2011 and the gross profit margin of prefabricated construction projects was approximately 41.1%.

Public structure projects and non-public structure projects

The gross profit attributable to public structure projects increased by approximately 97.5% from approximately RMB35.9 million for the year ended 31 December 2010 to approximately RMB70.9 million for the year ended 31 December 2011. The gross profit margin of public structure projects increased from approximately 25.9% to 39.5%. The increase in total gross profit and gross profit margin of the public structure projects was primarily due to that our Group commenced to undertake social security housing project which has higher contract value and gross profit margin.

The gross profit attributable to non-public structure projects increased by approximately 74.7% from approximately RMB68.1 million for the year ended 31 December 2010 to approximately RMB119.0 million for the year ended 31 December 2011. The gross profit margin of non-public structure projects increased slightly from approximately 25.4% to 25.5%. The increase in gross profit and gross profit margin was primarily due to increase in execution of factory premises and warehouses projects.

Other income

Our other income increased by approximately 5.3%, from approximately RMB3.8 million for the year ended 31 December 2010 to RMB4.0 million for the year ended 31 December 2011. Such increase was primarily due to increase in the interest income on bank deposits.

Selling and marketing expenses

Our selling and marketing expenses increased by approximately 41.7%, from approximately RMB2.4 million for the year ended 31 December 2010 to approximately RMB3.4 million for the year ended 31 December 2011. The increase was primarily due to increase in our business development expenses of approximately RMB1.2 million. As we started to undertake prefabricated construction projects from late 2010, more expenses were incurred for promotion of services and establishment of customer base for such new business.

Administrative expenses

Our administrative expenses increased by approximately 27.3%, from approximately RMB8.8 million for the year ended 31 December 2010 to approximately RMB11.2 million for the year ended 31 December 2011. The increase was primarily due to (i) increase in our staff costs of approximately RMB0.6 million as the number of our staff increased; (ii) increase in research and development expenses of approximately RMB0.6 million in respect of our cooperation with Southeast University in relation to the research and development of steel structures and prefabricated construction techniques; and (iii) increase in subscription fees and membership fee of approximately RMB0.5 million we paid for joining 中國建築金屬結構協會 (China Construction Metal Structure Association) and 中國鋼結構協會 (China Steel Construction Society) in 2011. Further information on our cooperation with Southeast University is set out in the paragraph headed "Research and development" in the section headed "Business" in this prospectus.

Finance costs

Our finance costs increased slightly by approximately 2.6%, from approximately RMB7.6 million for the year ended 31 December 2010 to approximately RMB7.8 million for the year ended 31 December 2011. The increase was primarily due to increase in interest on our bank loans by approximately RMB0.4 million as the average balance of our bank borrowings increased.

Profit before tax

Our profit before tax increased by approximately 92.7%, from approximately RMB89.0 million for the year ended 31 December 2010 to approximately RMB171.5 million for the year ended 31 December 2011. The increase was due to the increase in our gross profit by approximately RMB85.8 million.

Income tax expense

Our income tax expense increased by approximately 92.8%, from approximately RMB27.8 million for the year ended 31 December 2010 to approximately RMB53.6 million for the year ended 31 December 2011. Our effective tax rates for both of the two years ended 31 December 2010 and 2011 were approximately 31.2%, which were stable.

Profit for the year

Based on the cumulative effect of the foregoings, our profit and total comprehensive income for the year attributable to owners of our Company increased by approximately 92.5%, from approximately RMB61.3 million for the year ended 31 December 2010 to approximately RMB118.0 million for the year ended 31 December 2011.

ANALYSIS OF MAJOR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

The following table illustrates the major consolidated statements of financial position items of our Group as at 31 December 2010, 2011 and 2012 and 30 June 2013:

	At 31 December			At 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets				
Property, plant and equipment	45,998	44,322	39,230	41,250
Prepaid lease payments	15,388	15,049	14,710	14,541
Deposits paid for acquisition of property, plant and equipment	7,500	26,832	26,832	26,832
	68,886	86,203	80,772	82,623
Current assets				
Amounts due from customers for contract work	31,865	6,558	2,414	934
Trade and bills receivables	171,688	191,040	229,125	359,371
Other receivables, deposits and prepayments	704	736	4,054	7,594
Prepaid lease payments	339	339	339	339
Pledged bank deposits	39,500	65,000	–	–
Bank balances and cash	48,000	213,964	329,046	520,628
	292,096	477,637	564,978	888,866
Total assets	360,982	563,840	645,750	971,489
LIABILITIES				
Non-current liability				
Deferred tax liability	9,365	19,308	42,673	62,074
Current liabilities				
Amounts due to customers for contract work	–	143	8,272	6,232
Trade and bills payables	98,227	135,209	38,680	149,934
Other payables and accruals	9,619	18,155	71,027	58,534
Bills payables under financing arrangement	10,000	–	–	–
Amount due to a director	97	495	12,558	17,790
Amount due to former immediate holding company	–	50,000	–	–
Tax liabilities	6,394	8,888	7,904	45,936
Bank borrowings	83,500	137,500	–	–
	207,837	350,390	138,441	278,426
Total liabilities	217,202	369,698	181,114	340,500
Net current assets	84,259	127,247	426,537	610,440
Total assets less current liabilities	153,145	213,450	507,309	693,063

Amounts due from/to customers for contract work

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred for work performed to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statements of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statements of financial position under trade receivables.

Our amounts due from customers for contract work decreased from approximately RMB31.9 million as at 31 December 2010 to approximately RMB6.6 million as at 31 December 2011 primarily because the contract costs incurred were generally faster than progress billing as at 31 December 2010 as our Group was awarded five new projects between October and December 2010. Our amounts due from customers for contract work decreased from approximately RMB6.6 million as at 31 December 2011 to approximately RMB2.4 million as at 31 December 2012 as there was one less project as at 31 December 2012 which had incurred contract costs faster than progress billing as compared to 31 December 2011. Our amounts due from customers for contract work decreased from approximately RMB2.4 million as at 31 December 2012 to approximately RMB0.9 million as at 30 June 2013 primarily because of the decrease in the average surplus of contract costs for those projects which had incurred contracts costs faster than progress billing.

Our Group recorded amounts due to customers for contract work of approximately RMB0.1 million and RMB8.3 million as at 31 December 2011 and 31 December 2012 respectively. Such increase was primarily because there were four projects as at 31 December 2012 as compared to one project as at 31 December 2011 which had the progress billing faster than contract costs incurred. Our Group recorded amounts due to customers for contract work of approximately RMB8.3 million and RMB6.2 million as at 31 December 2012 and 30 June 2013, respectively. Such decrease was primarily because there were eight projects as at 31 December 2012 as compared to four projects as at 30 June 2013 which had the progress billing faster than contract costs incurred.

Trade and bills receivables

The following table shows our trade and bills receivables as at 31 December 2010, 2011 and 2012 and 30 June 2013:

	At 31 December			At 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	167,988	188,540	229,125	359,371
Bills receivables	3,700	2,500	–	–
	171,688	191,040	229,125	359,371

Our Group recorded trade receivables of approximately RMB168.0 million, RMB188.5 million, RMB229.1 million and RMB359.4 million as at 31 December 2010, 2011 and 2012 and 30 June 2013, respectively.

Our trade receivables as at 31 December 2010 and 2011 increased was primarily because there was an increase in number of our projects with revenue recognised from 34 to 40 in the respective years, with trade receivables outstanding as our construction business expanded. As at 31 December 2012, our trade receivables increased as compared to that as at 31 December 2011 which was primarily due to the increase in the average contract value of projects awarded to our Group during the year ended 31 December 2012. As at 30 June 2013, our trade receivables increased as compared to that as at 31 December 2012 which was primarily due to (i) the increase in the number of projects in progress from eight projects as at 31 December 2012 to 13 projects as at 30 June 2013; and (ii) the increase in retention receivables from approximately RMB161.2 million as at 31 December 2012 to approximately RMB199.3 million as at 30 June 2013.

During the Track Record Period, we occasionally received bills as payment for our construction services. Our bills receivables decreased from approximately RMB3.7 million as at 31 December 2010 to approximately RMB2.5 million as at 31 December 2011. Our Group endorsed such bills receivables to suppliers to exchange for goods from those suppliers and has transferred the contractual rights to receive cash flows from those bills receivables to the respective supplier on a full recourse basis. Therefore, our Directors consider our Group retain substantially all of the risk and rewards of ownership of the bills receivables and continued to recognise the bills receivables and the associated trade payables. We did not record any bills receivables as at 31 December 2012 and 30 June 2013.

The following table sets out the aging analysis of our trade and bills receivables, net of allowance for doubtful debts, presented based on the date of progress billing at the end of the reporting period:

	At 31 December			At 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
0 to 30 days	11,745	27,736	41,152	126,386
31 to 90 days	40,428	33,283	22,290	33,657
91 to 180 days	19,697	18,389	4,500	–
181 days to 1 year	20,197	6,169	–	–
Over 1 year	28,325	32,798	–	–
	120,392	118,375	67,942	160,043
Retention receivables	47,596	70,165	161,183	199,328
	167,988	188,540	229,125	359,371
Bills receivables				
0 to 30 days	–	1,000	–	–
31 to 90 days	1,000	1,500	–	–
91 to 180 days	2,700	–	–	–
	3,700	2,500	–	–
	171,688	191,040	229,125	359,371

	At 31 December			At 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Retention receivables:				
Past due or due within 1 year	39,096	69,361	65,155	105,628
Due after 1 year and within 2 years	8,500	804	80,768	73,940
Due after 2 years and within 3 years	–	–	15,260	19,760
Due after 3 years	–	–	–	–
	47,596	70,165	161,183	199,328

The following table sets out the aging of trade receivables which are past due but not impaired:

	At 31 December			At 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
0 to 30 days	11,745	24,045	4,020	29,059
31 to 90 days	40,428	33,283	800	5,271
91 to 180 days	19,697	18,389	–	–
181 days to 1 year	20,197	6,169	–	–
Over 1 year	42,649	52,162	–	–
	134,716	134,048	4,820	34,330

As at 31 December 2012, our trade and bill receivables amounted to approximately RMB229.1 million. Among such trade and bill receivables, our accounts receivables amounted to approximately RMB67.9 million and our retention receivables amounted to approximately RMB161.2 million. As at 30 June 2013, our trade and bill receivables amounted to approximately RMB359.4 million. Among such trade and bill receivables, our accounts receivables amounted to approximately RMB160.0 million and our retention receivables amounted to approximately RMB199.3 million. As at the Latest Practicable Date, 100% of our accounts receivables and approximately 30.8% of our retention receivables as at 30 June 2013 had been settled, respectively.

We receive payments for our projects in progress payments upon achieving certain project milestones or based on the actual progress of our work performed. Our customers are allowed to retain a portion of the total contract amount as the retention money to guarantee our work quality.

After completion of a certain stage of construction or milestone in accordance with the terms of the relevant agreements, our customers and our Group will carry out inspection together to verify the relevant completion. After that, we will bill our customers by issuing invoices, and they will arrange payment. In general, our customers are required to settle our service fee on demand when certain milestone is met as specified in the contract. However, we understand that our customers may have different internal payment procedures which they have to adhere to before payment is made to us; and it is from our experience that our customers will in general settle our bills within six to 12 months from the date of billing. In respect of customers which are state-owned enterprises, government entities or large-scale companies, they may take more than 12 months to make payment. In respect of customers which are private enterprises, our bill could usually be settled within six months. For our customers which are main contractors and our work related to part of their projects, they may have to wait for completion of the entire project and receive balance of their payment from the owner of such projects before they settle balance of their payment to us, and in such cases, their payment cycle may run over 12 months. During the Track Record Period, our Group had not encountered any major uncollectible trade receivables.

Included in our trade receivables are debtors with aggregate carrying amount of approximately RMB134.7 million, RMB134.0 million, RMB4.8 million and RMB34.3 million as at 31 December 2010, 2011 and 2012 and 30 June 2013, respectively, which are past due as at the end of the reporting period for which our Group has not provided for impairment loss. Our Group has not provided allowance for doubtful debts for the trade receivables which are past due but not impaired because our Directors consider that those receivables are recoverable whereby the customers have made continuous repayments. Our Group does not hold any collateral over these balances.

Our retention receivables were approximately RMB47.6 million, RMB70.2 million, RMB161.2 million and RMB199.3 million as at 31 December 2010, 2011 and 2012 and 30 June 2013, respectively. Such increase in our retention receivables was in line with the increase in our revenue over the respective financial periods. During the Track Record Period, retention period normally ranged between one to two years and retention amount ranged between 5% to 20% of contract value. In 2012, certain new contracts awarded to us have longer retention period and higher percentage of contract value as retention money, which is not the normal practice of the industry according to the Ipsos Report. For the year ended 31 December 2012, we were awarded 28 new contracts, of which two contracts had retention period of three years, and seven contracts had retention amounts higher than 20% of contract value (the "**High Retention Projects**"). Five of the seven High Retention Projects had relatively high gross profit margins of over 29%. Our Directors confirm that when accepting projects with high retention amounts, factors such as feasibility and profitability of the project, reputation and background of the customer, and potential future business opportunities to be introduced by the customers are considered. These customers are mainly new customers and large-scale corporations with investment in different parts of the PRC, or customers which have not previously used steel structure or prefabricated construction before or where we intend to further expand our market share. During the first half of 2012, such opportunities arose which offered a chance for us to expand our existing customer network for our long term development. Our Directors consider that it was a strategic move for our Group to offer such flexible terms for these customers and did not represent a weakening of our bargaining power or any inability to secure contracts. Our retention receivables which were past due were approximately RMB14.3 million, RMB19.4 million, nil and nil as at 31 December 2010, 2011 and 2012 and 30 June 2013, respectively.

As at 30 June 2013, our trade receivables which were past due amounted to approximately RMB34.3 million were subsequently settled as at the Latest Practicable Date.

Our debtors' turnover days were approximately 112.6 days, 102.3 days, 73.2 days and 65.9 days for each of the three years ended 31 December 2012 and the six months ended 30 June 2013, respectively. Our debtors' turnover days for the year ended 31 December 2011 decreased to approximately 102.3 days from approximately 112.6 days for the year ended 31 December 2010 was due to (i) the trade receivables incurred during the year ended 31 December 2011 were settled by our customers at a faster rate as compared to that during the year ended 31 December 2010; (ii) approximately RMB86.0 million, or 59.5% of our total trade receivables brought forward from previously completed projects were settled during the year ended 31 December 2011. Our debtors' turnover days for the year ended 31 December 2012 decreased to approximately 73.2 days from approximately 102.3 days for the year ended 31 December 2011 was due to (i) our tightened credit and collection policies and faster collection of our trade receivables from our customers during the year ended 31 December 2012; (ii) approximately RMB146.7 million, or 99.7% of our total trade receivables brought forward from previously completed projects were settled during the year ended 31 December 2012. Our debtors' turnover days for six months ended 30 June 2013 decreased to approximately 65.9 days from approximately 73.2 days for the year ended 31 December 2012 was due to our tightened credit and collection policy and faster collection of our trade receivables from our customers during the six months ended 30 June 2013. During the Track Record Period, no provision or write-off for trade receivables was made.

Other receivables, deposits and prepayments

Our Group recorded other receivables, deposits and prepayments of approximately RMB0.7 million, RMB0.7 million, RMB4.1 million and RMB7.6 million as at 31 December 2010, 2011 and 2012 and 30 June 2013, respectively. Significant increases in our other receivables, deposits and prepayments as at 31 December 2012 and 30 June 2013 were due to the inclusion of the transaction costs of RMB3.3 million and RMB6.6 million, respectively, directly attributable to the issuing of new Shares. Such amount of transaction costs will be accounted for as a deduction from equity upon Listing.

The following table sets out the breakdown of our other receivables, deposits and prepayments as of the dates indicated:

	At 31 December			**At 30 June**
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables	153	15	11	5
Deposits paid	250	375	375	793
Prepayments	301	346	3,668	6,796
	704	736	4,054	7,594

Trade and bills payables

The following table sets out the breakdown of our trade and bills payables as of the dates indicated:

	At 31 December			At 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	48,227	29,209	38,680	149,934
Bills payables	50,000	106,000	–	–
	98,227	135,209	38,680	149,934

Our trade and bills payables increased from approximately RMB98.2 million as at 31 December 2010 to approximately RMB135.2 million as at 31 December 2011 primarily due to the increase in the number of projects with revenue recognised which involved more materials and installation costs. The decrease in trade and bills payables from approximately RMB135.2 million as at 31 December 2011 to approximately RMB38.7 million as at 31 December 2012 was primarily due to the decrease of bill payables from approximately RMB106.0 million as at 31 December 2011 to nil as at 31 December 2012 as (i) all of the bill payables were issued in the first half year of 2012 and were due on or before 31 December 2012; and (ii) improvement in our liquidity position as evidenced by increase in bank balances and cash from approximately RMB214.0 million as at 31 December 2011 to RMB329.0 million as at 31 December 2012. Our trade and bills payables increased from approximately RMB38.7 million as at 31 December 2012 to approximately RMB149.9 million as at 30 June 2013 primarily due to the increase in the purchase of materials and installation costs for the 13 projects in progress as at 30 June 2013, as compared with eight projects in progress as at 31 December 2012.

The following table sets out the aging analysis of our trade and bills payables (by goods receipt date) at the end of the reporting period:

	At 31 December			At 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables				
0 to 30 days	19,313	22,928	26,635	133,553
31 to 90 days	12,667	4,451	3,978	4,416
91 to 180 days	11,280	731	425	76
181 days to 1 year	1,098	42	–	–
Over 1 year	626	–	66	–
	44,984	28,152	31,104	138,045
Retention payables	3,243	1,057	7,576	11,889
	48,227	29,209	38,680	149,934
Bills payables				
0 to 30 days	10,000	–	–	–
31 to 90 days	15,000	76,000	–	–
91 to 180 days	25,000	30,000	–	–
	50,000	106,000	–	–
	98,227	135,209	38,680	149,934

As at 31 December 2012, our trade and bill payables amounted to approximately RMB38.7 million. As at 30 June 2013, our trade and bill payables amounted to approximately RMB149.9 million and approximately RMB146.2 million which represented approximately 97.5% of such balance were subsequently settled as at the Latest Practicable Date.

Our creditors' turnover days were approximately 107.4 days, 93.2 days, 44.6 days and 31.4 days for each of the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013. Fluctuations in our creditors' turnover days were primarily due to the credit terms offered by our suppliers of materials and third party installation teams we engaged which are determined based on, among others, our relationship with them and our payment history. The general decrease in our creditors' turnover days from approximately 107.4 days for the year ended 31 December 2010 to approximately 31.4 days for the six months ended 30 June 2013 was primarily due to (i) faster payment by our customers for our trade receivables which enhanced our cashflow position; and (ii) faster repayment by us as the number of new suppliers increased, which generally offered a shorter credit term to us.

Other payables and accruals

The following table sets out the breakdown of our other payables and accruals as of the dates indicated:

	At 31 December			At 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payables for acquisition of property, plant and equipment	720	144	–	–
Accrued wages and staff benefits	6,912	8,161	9,045	10,454
Other accrued expenses	–	362	3,486	13,451
Advance from customers for contract work	–	189	52,472	11,340
Other tax payables	1,987	9,119	5,984	23,249
Other payables	–	180	40	40
	9,619	18,155	71,027	58,534

Our other payables and accruals increased from approximately RMB9.6 million as at 31 December 2010 to approximately RMB18.2 million as at 31 December 2011 and to approximately RMB71.0 million as at 31 December 2012. Our other payables and accruals increased from approximately RMB9.6 million as at 31 December 2010 to approximately RMB18.2 million as at 31 December 2011 were primarily due to increases in (i) accrued wages and staff benefits as the number of our staff increased; (ii) advances from customers for contract work as at 31 December 2011; and (iii) other tax payables arising from our projects in execution which (a) is in line with our increase in revenue in the Track Record Period; and (b) the increase in the 2011 balance was mainly due to increase in revenue and that it included certain amount of other tax payables related to projects completed in 2010. Our other payables and accruals increased from approximately RMB18.2 million as at 31 December 2011 to approximately RMB71.0 million as at 31 December 2012 were primarily due to the increase in advances from customers for contract work from approximately RMB0.2 million as at 31 December 2011 to approximately RMB52.5 million as at 31 December 2012. Our other payables and accruals decreased from approximately RMB71.0 million as at 31 December 2012 to approximately RMB58.5 million as at 30 June 2013 were primarily because as at 30 June 2013, we had advances from customers contract work in respect of one project awarded to us in February 2013 in the amount of approximately RMB11.3 million, compared with the advances from customers for contract work in respect of three projects awarded to us in the second half of 2012 in the amount of approximately RMB52.5 million as at 31 December 2012.

Amount due to a director

Amount due to a director primarily represented amount due to Mr. Jiang which was unsecured, interest-free and repayable on demand, which amounted to approximately RMB0.1 million, RMB0.5 million, RMB12.6 million and RMB17.8 million as at 31 December 2010, 2011 and 2012 and 30 June 2013, respectively. The amount due to a director increased from RMB0.5 million as at 31 December 2011 to RMB12.6 million as at 31 December 2012 mainly due to the settlement on behalf of our Group for the expenses related to the preparation for the Listing. The amount due to a director increased from RMB12.6 million as at 31 December 2012 to RMB17.8 million as at 30 June 2013 mainly due to the settlement on behalf of our Group for the expenses related to the preparation for the Listing. The amount due to a director will be settled upon Listing.

Amount due to former immediate holding company

Our Group recorded amount due to former immediate holding company of approximately RMB50.0 million as at 31 December 2011. The amount due to former immediate holding company represented the consideration of RMB50.0 million payable to Site Holdings for the acquisition of Saite Steel (Jiangsu) by Modern Day. The amount due to former immediate holding company was unsecured, interest-free and repayable on demand; and such amount was capitalised by the issue and allotment of one share of HK$1 in Modern Day to Site Holdings on 29 June 2012.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Our operations are funded through a combination of cash generated from our operations and bank borrowings. Our Directors are not aware of any material change to the sources of cash of our Group and the use of cash by our Group during the Track Record Period. We believe, after the successful listing of our Group, our liquidity requirements will be satisfied using a combination of the proceeds from the Global Offering, cash generated from operating activities and bank loans.

Cash flow data

The following table summarises, for the periods indicated, our consolidated statements of cash flows:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Net cash (used in) from operating activities	(11,271)	194,156	164,849	86,164	189,935
Net cash from (used in) investing activities	13,631	(47,212)	67,509	41,684	(3,585)
Net cash (used in) from financing activities	(67,015)	19,020	(117,276)	26,178	5,232
Net (decrease) increase in cash and cash equivalents	(64,655)	165,964	115,082	154,026	191,582
Cash and cash equivalents at beginning of the year/period	112,655	48,000	213,964	213,964	329,046
Cash and cash equivalents at end of the year/period, represented by bank balances and cash	48,000	213,964	329,046	367,990	520,628

Financial resources and capital structure

Cash flow from/used in operating activities

For the six months ended 30 June 2013, we had net cash from operating activities of approximately RMB189.9 million while our profit before tax for the same period was approximately RMB251.6 million. The difference of approximately RMB61.7 million during the period was primarily attributable to an increase in our trade and bills payables of approximately RMB111.3 million; which were offset by an increase in our trade and bills receivables of approximately RMB130.2 million and a decrease in our other payables and accruals of approximately RMB12.5 million.

For the year ended 31 December 2012, we had net cash from operating activities of approximately RMB164.8 million while our profit before tax for the same period was approximately RMB308.2 million. The difference of approximately RMB143.4 million during the year was primarily attributable to (i) a decrease in our amounts due from customers for contract work of approximately RMB7.2 million; (ii) an increase in our amounts due to customers for contract work of approximately RMB8.3 million; and (iii) an increase in our other payables and accruals of approximately RMB53.0 million, which were offset by an increase in our trade and bills receivables of approximately RMB38.1 million, an increase in our other receivables, deposits and prepayments of approximately RMB3.3 million and a decrease in our trade and bills payables of approximately RMB96.5 million.

For the year ended 31 December 2011, we had net cash from operating activities of approximately RMB194.2 million while our profit before tax for the same period was approximately RMB171.5 million. The difference of approximately RMB22.7 million during the year was primarily attributable to (i) an increase in our trade and bills payables of approximately RMB37.0 million due to the increase in the number of our projects with revenue recognised which involved more materials and installation costs; and (ii) an increase in our other payables and accruals of approximately RMB9.1 million, which was partly offset by an increase in trade and bills receivables of approximately RMB19.4 million attributable to the increase in the number of our customers with trade receivable outstanding.

For the year ended 31 December 2010, we had net cash used in operating activities of approximately RMB11.3 million while our profit before tax for the same period was approximately RMB89.0 million. The outflow during the year was primarily attributable to (i) an increase in our amounts due from customers for contract work of approximately RMB22.2 million as five projects were awarded to our Group between October and December 2010 and the fact that the contract costs incurred at the beginning of the projects were generally faster than progress billing; (ii) a significant increase in our trade and bills receivables of approximately RMB92.4 million attributable to the increase in the number of customers with trade receivables outstanding, which was partly offset by a decrease in other receivables, deposits and prepayments of approximately RMB7.0 million and an increase in trade and bills payables of approximately RMB18.2 million due to the increase in the number of our projects with revenue recognised which involved more raw materials and installation costs.

Cash flow from/used in investing activities

For the six months ended 30 June 2013, we had net cash used in investing activities of approximately RMB3.6 million. The outflow during such period was primarily attributable to interest received during the period of approximately RMB0.9 million and the net effect of the purchase of property, plant and equipment of approximately RMB4.5 million.

For the year ended 31 December 2012, we had net cash from investing activities of approximately RMB67.5 million. The inflow during such period was primarily attributable to interest received during the period of approximately RMB3.2 million and the net effect of the withdrawal of pledged bank deposits and the placement of pledged bank deposits of approximately RMB65.0 million.

For the year ended 31 December 2011, we had net cash used in investing activities of approximately RMB47.2 million. The outflow during the year was attributable to an aggregate of approximately RMB23.3 million for the purchase of property, plant and equipment and deposits paid for acquisition of property, plant and equipment, and the placement of pledged bank deposits of approximately RMB98.1 million, which was partly offset by the withdrawal of pledged bank deposits of approximately RMB72.6 million and interest received by us of approximately RMB1.5 million.

For the year ended 31 December 2010, we had net cash from investing activities of approximately RMB13.6 million. The inflow during the year was primarily attributable to the net effect of the placement of pledged bank deposits, and the withdrawal of pledged bank deposits of approximately RMB25.3 million and interest received by us of approximately RMB1.2 million, which was partly offset by the purchase of property, plant and equipment, deposits paid for acquisition of property, plant and equipment, addition of prepaid lease payments in an aggregate amount of approximately RMB13.2 million.

Cash flow from/used in financing activities

For the six months ended 30 June 2013, we had net cash from financing activities of approximately RMB5.2 million. The inflow during such period was attributable to advance from a director of approximately RMB5.2 million.

For the year ended 31 December 2012, we had net cash used in financing activities of approximately RMB117.3 million. The outflow during such period was primarily attributable to interest payment of approximately RMB8.5 million, advance from a director of approximately RMB12.1 million and capital contribution from shareholders of our Company of approximately RMB16.7 million, which was offset by the net effect of the new bank borrowings raised and the repayment of bank borrowings of approximately RMB137.5 million.

For the year ended 31 December 2011, we had net cash from financing activities of approximately RMB19.0 million. The inflow during the year was attributable to new bank borrowings raised of approximately RMB150.5 million, which was partly offset by the aggregate amount of approximately RMB131.9 million representing interest and dividend paid, repayment of bank borrowings and repayment of bills payables under financing arrangement. The bank borrowings incurred in 2011 was mainly used for funding the operation of the Group.

For the year ended 31 December 2010, we had net cash used in financing activities of approximately RMB67.0 million. The outflow during the year was primarily attributable to an aggregate amount of approximately RMB200.6 million representing new bank borrowings raised and bills payables under financing arrangement raised, which was offset by interest and dividend paid, repayment of bank borrowings and repayment of bills payables under financing arrangement of an aggregate amount of approximately RMB265.8 million.

Net current assets

The table below sets out, as of the end of each reporting period, selected information for our current assets and current liabilities:

	At 31 December			At 30 June	At 31 August
	2010	2011	2012	2013	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)
Current assets					
Amounts due from customers for contract work	31,865	6,558	2,414	934	4,757
Trade and bills receivables	171,688	191,040	229,125	359,371	336,446
Other receivables, deposits and prepayments	704	736	4,054	7,594	9,039
Prepaid lease payments	339	339	339	339	339
Pledged bank deposits	39,500	65,000	–	–	–
Bank balances and cash	48,000	213,964	329,046	520,628	506,806
	292,096	477,637	564,978	888,866	857,387
Current liabilities					
Amounts due to customers for contract work	–	143	8,272	6,232	8,320
Trade and bills payables	98,227	135,209	38,680	149,934	94,752
Other payables and accruals	9,619	18,155	71,027	58,534	28,489
Bills payables under financing arrangement	10,000	–	–	–	–
Amount due to a director	97	495	12,558	17,790	21,627
Amount due to former immediate holding company	–	50,000	–	–	–
Tax liabilities	6,394	8,888	7,904	45,936	24,540
Bank borrowings	83,500	137,500	–	–	–
	207,837	350,390	138,441	278,426	177,728
Net current assets	84,259	127,247	426,537	610,440	679,659

Note: The selected information for our current assets and current liabilities as at 31 August 2013 were based on the unaudited management records of our Group.

Our net current assets increased from approximately RMB426.5 million as at 31 December 2012 to approximately RMB610.4 million as at 30 June 2013, represented an increase of approximately 43.1%, which was primarily due to increase in our current assets of approximately RMB323.9 million. The increase in our current assets primarily included an increase in our trade and bills receivables of approximately RMB130.2 million and an increase in our bank balances and cash of RMB191.6 million.

Our net current assets increased from approximately RMB127.2 million as at 31 December 2011 to approximately RMB426.5 million as at 31 December 2012, represented an increase of approximately 235.3%, which was primarily due to increase in our current assets of approximately RMB87.3 million and a decrease in our current liabilities of approximately RMB211.9 million. The increase in our current assets primarily included an increase in our trade and bills receivables of approximately RMB38.1 million and an increase in our bank balances and cash of RMB115.1 million. The decrease in our current liabilities was primarily due to decrease in our trade and bills payables of approximately RMB96.5 million, the absence of our amount due to former immediate holding company of approximately RMB50.0 million and our bank borrowings of approximately RMB137.5 million.

Our net current assets increased from approximately RMB84.3 million as at 31 December 2010 to approximately RMB127.2 million as at 31 December 2011, represented an increase of approximately 50.9%, which was primarily due to increase in our current assets of approximately RMB185.5 million, partially offset by an increase in current liabilities of approximately RMB142.6 million. The increase in our current assets primarily included an increase in our trade and bills receivables of approximately RMB19.4 million, an increase in pledged bank deposits of approximately RMB25.5 million and an increase in our bank balances and cash of approximately RMB166.0 million. The increase in our current liabilities primarily included an increase in our trade and bills payables of approximately RMB37.0 million, our amount due to former immediate holding company of approximately RMB50.0 million, an increase in our tax liabilities of approximately RMB2.5 million and increase in our bank borrowings of approximately RMB54.0 million.

WORKING CAPITAL

Our Directors have confirmed that, taking into consideration the financial resources presently available to us, including our internal resources, and the estimated net proceeds from the Global Offering, we have sufficient working capital for our present requirements and for at least 12 months commencing from the date of this prospectus.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENTS

We have funded our historical capital expenditure through cash flow generated from operating activities. The following table sets forth a summary of our capital expenditure during the Track Record Period:

	Year ended 31 December			Six months ended 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Addition of property, plant and equipment	3,781	3,351	556	4,468
Deposits paid for acquisition of property, plant and equipment	7,500	19,332	–	–
	11,281	22,683	556	4,468

Our total capital expenditure increased by approximately 100.9% from approximately RMB11.3 million for the year ended 31 December 2010 to approximately RMB22.7 million for the year ended 31 December 2011 primarily due to the further deposits paid for acquisition of an office building in 2010.

The following table sets forth the aggregate amounts of our Group's capital commitments as at the dates indicated:

	At 31 December			At 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the Financial Information	19,332	–	–	–
Capital expenditure in respect of construction of property, plant and equipment authorised but not contracted for	–	–	3,619	–

PLANNED CAPITAL EXPENDITURE

We expect to spend approximately RMB175.8 million on capital expenditure in the next 12 months. Our planned capital expenditure primarily relates to expanding the production capacity of both steel structures and prefabricated construction materials to meet the increase in market demand for our services and to develop our prefabricated construction business, we plan to spend (i) approximately RMB30.0 million for acquisition of steel structures production equipment; (ii) approximately RMB11.5 million for the expansion of our steel structure workshops; (iii) approximately RMB20.5 million for the acquisition of prefabricated construction production equipment; and (iv) approximately RMB113.8 million for the acquisition of the existing factory premises, together with the land, production plant and buildings, and office within such factory site, where our current prefabricated construction workshop resides or other factory premises appropriate for prefabricated construction business. The actual cost would be subject to the commercial negotiations among the relevant parties which has not yet started.

The change in leasing to owning of our current prefabricated construction workshop or other factory premises appropriate for prefabricated construction business shall incur an one off capital expenditure and cash outflow for investing activities of approximately RMB113.8 million (subject to commercial negotiations), resulting in (i) decrease in annual rental expenses; (ii) decrease in cash outflow for operating activities of approximately RMB4.3 million; (iii) refund of rental deposits; (iv) cash inflow from operating activities of approximately RMB0.4 million; and (v) an annual depreciation of approximately RMB4.8 million (subject to the then actual cost).

Our Directors expected that the planned capital expenditure will be financed by proceeds from the Global Offering, our own funds and if necessary, bank borrowings.

In the future, we may need to raise additional funding for capital expenditures. However, our ability to obtain such funding is subject to a variety of uncertainties, including our future results of operations, financial condition and cash flows, economic, political and other conditions in the jurisdictions in which we operate.

OPERATING LEASE

Operating lease payments represent rentals payable by our Group in respect of rented premises and plant and machinery. The leases of our Group are negotiated for terms ranging from two to three years:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Minimum lease payments paid under operating leases:					
Plant and machinery	–	960	960	480	480
Premises	–	3,300	3,300	1,650	1,803
	–	4,260	4,260	2,130	2,283

At the end of the reporting period, we had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises and plant and machinery which fall due as follows:

	At 31 December			At 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Plant and machinery				
Within one year	288	288	288	288
Premises				
Within one year	825	825	825	2,659
In the second to fifth year inclusive	–	–	–	1,834
	825	825	825	4,493

The increase in operating lease payments since the year ended 31 December 2011 was due to the lease of premises and plant and machinery in the PRC for the production of prefabricated construction materials. The increase in our commitments for future minimum lease payments within five years in respect of premises leased by us from approximately RMB0.8 million as at 31 December 2012 to approximately RMB4.5 million as at 30 June 2013 was mainly due to lease commitment for our lease of office premises in Hong Kong during the six months ended 30 June 2013.

INDEBTEDNESS

The table below shows our indebtedness as at the dates indicated:

	At 31 December			At 30 June	At 31 August
	2010	2011	2012	2013	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Fixed-rate borrowings	56,000	42,000	–	–	–
Variable-rate borrowings	27,500	95,500	–	–	–
Total bank borrowings	83,500	137,500	–	–	–
Bills payable under financing arrangement	10,000	–	–	–	–
Amount due to a director	97	495	12,558	17,790	21,627
Amount due to former immediate holding company	–	50,000	–	–	–
	93,597	187,995	12,558	17,790	21,627

Our Group recorded bank borrowings of approximately RMB83.5 million, RMB137.5 million, nil and nil as at 31 December in 2010, 2011 and 2012, and 30 June 2013 respectively. Our Group did not record any bank borrowings as at 31 August 2013. All bank borrowings as at 31 December 2010 and 2011 were due within one year and shown under current liabilities. At 31 December 2010 and 2011, the variable-rate bank borrowings carried interest rates quoted by the People's Bank of China plus a premium. The ranges of effective interest rates (which are also equal to contracted interest rates) on our Group's borrowings are as follows:

	At 31 December			At 30 June
	2010	2011	2012	2013
Effective interest rate:				
Fixed-rate borrowings	4.78% to 7.29%	7.57% to 9.15%	–%	–%
Variable-rate borrowings	5.63% to 6.78%	5.23% to 8.86%	–%	–%

As at 31 December 2010 and 2011, our bank borrowings were secured by certain buildings, machinery and prepaid lease payments owned by our Group or an Independent Third Party, and/or guaranteed by one of our Directors, a close family member of a Director and/or certain Independent Third Parties. The guarantees provided to our Group as at 31 December 2011 were released upon the repayment of our bank borrowings during the year ended 31 December 2012. The indebtedness as at 31 August 2013 is unsecured and unguaranteed. Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, at the close of business on 31 August 2013, we did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages charges, hire purchase commitments, guarantees or other material contingent liabilities.

RELATED PARTY TRANSACTIONS

It is the view of our Directors that each of the related party transactions set out in Notes 25, 28, 29, 30, 32 and 37 in the Accountants' Report included in Appendix I to this prospectus was conducted in the ordinary and usual course of business and on normal commercial terms between the relevant parties or terms not less favourable than terms available from independent third parties, which are considered fair, reasonable and in the interest of our Shareholders as a whole.

Contingent liabilities

As at 31 December 2010, 2011 and 2012 and 30 June 2013, our Group had no material contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into any off-balance sheet arrangements.

DISTRIBUTABLE RESERVES

As at 30 June 2013, our Company had no reserves available for distribution to our Shareholder.

DIVIDEND POLICY

Subject to our constitutional documents and the Companies Law, we may declare final dividends in any currency through a general meeting, but no dividend may be declared in excess of the amount recommended by the Board. For each of the three years ended 31 December 2012 and the six months ended 30 June 2013, Saite Steel (Jiangsu) distributed dividends in the amount of approximately RMB9.0 million, RMB17.6 million, nil and nil, respectively to its then Shareholders.

Future dividend payments will depend upon the availability of dividends we receive from our operating subsidiaries in the PRC. PRC laws require that dividends be paid only out of the net profit calculated according to the PRC accounting principles, which differ in many aspects from HKFRSs. PRC laws also require foreign-invested enterprises, such as our operating subsidiaries in the PRC, to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debts or losses or in accordance with any covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries have entered into or may enter into in the future.

The EIT Law provides that dividends sourced from the PRC payable to "non-resident enterprises" shall be subject to EIT at a rate of 20%, which rate is reduced to 10% by the Rules for Implementation of EIT Law. Such dividend withholding tax rate may be further reduced by applicable treaties. According to the Arrangement between the Mainland of the PRC and Hong Kong for 內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排 (the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income) on 21 August 2006, the withholding tax rate on dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is further reduced to 5% if the Hong Kong resident enterprise holds at least 25% equity interests in the PRC resident enterprise, and in other case, 10% will be levied on the gross dividends.

Subject to the above factors, our expected dividend policy is that approximately 30% of our profits available for distribution for each of the financial years ending 31 December 2013 and 31 December 2014 will be recommended for distribution to our Shareholders. The amount of dividend actually distributed to our Shareholders will depend on our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to approval of our Shareholders.

MAJOR FINANCIAL RATIOS

		Year ended 31 December			Six months ended 30 June
	Note	**2010**	**2011**	**2012**	**2013**
Turnover growth (%)	*1*	N/A	59.0	62.0	21.1
Net profit growth (%)	*2*	N/A	92.5	72.7	24.6
Gross margin (%)	*3*	25.6	29.4	32.1	32.8
Net profit margin before interest and tax (%)	*4*	23.7	27.7	30.2	30.9
Net profit margin (%)	*5*	15.1	18.2	19.4	20.4
Return on equity (%)	*6*	N/A	69.8	61.9	N/A
Return on total assets (%)	*7*	N/A	25.5	33.7	N/A
Interest coverage (times)	*8*	12.7	23.1	37.2	N/A
Debtors' turnover (days)	*9*	112.6	102.3	73.2	65.9
Creditors' turnover (days)	*10*	107.4	93.2	44.6	31.4

		As at 31 December			As at 30 June
	Note	**2010**	**2011**	**2012**	**2013**
Current ratio	*11*	1.4	1.4	4.1	3.2
Gearing ratio (%)	*12*	65.1	96.8	2.7	2.8
Debt to equity ratio (%)	*13*	31.7	net cash	net cash	net cash

Notes:

1. Turnover growth for each of the two years ended 31 December 2012 and the six months ended 30 June 2013 was calculated based on the difference between our revenue of the respective years/period and the respective preceding years/period divided by our revenue of the preceding year/period multiplied by 100%.

2. Net profit growth for each of the two years ended 31 December 2012 and the six months ended 30 June 2013 was calculated based on the difference between our profit and total comprehensive income of respective years/period and the respective preceding years/period divided by our profit and total comprehensive income of the preceding year/period multiplied by 100%.

3. Gross margin for each of the three years ended 31 December 2012 and the six months ended 30 June 2013 was calculated based on our gross profit of respective years/period divided by our revenue of the respective years/period multiplied by 100%.

4. Net profit margin before interest and tax for each of the three years ended 31 December 2012 and the six months ended 30 June 2013 was calculated based on our net profit before interest and tax of the respective years/period divided by our revenue of the respective years/period multiplied by 100%.

5. Net profit margin for each of the three years ended 31 December 2012 and the six months ended 30 June 2013 was calculated based on our profit and total comprehensive income attributable to owners of our Company of respective years/period divided by our revenue of respective years/period multiplied by 100%.

6. Return on equity for each of the two years ended 31 December 2012 was calculated based on our profit and total comprehensive income of the respective years divided by the average total equity attributable to our shareholders of the respective years (sum of opening and closing balances of equity attributable to our shareholders of the respective year and then divided by two) and multiplied by 100%.

7. Return on total assets for each of the two years ended 31 December 2012 was calculated based on our profit and total comprehensive income of the respective years divided by our average total assets of the respective years (sum of opening and closing balances of our total assets of the respective year and then divided by two) and multiplied by 100%.

8. Interest coverage for each of the three years ended 31 December 2012 were calculated based on our profit before finance costs and tax for the respective years/period divided by our finance costs for the respective years/period. No finance cost was incurred for the six months ended 30 June 2013.

9. Debtors' turnover days for each of the three years ended 31 December 2012 and the six months ended 30 June 2013 were calculated based on our average trade and bills receivables (sum of opening and closing balances of trade and bills receivables of respective years/period and then divided by two) divided by our revenue of the respective years/period and multiplied by 365 days/182.5 days.

10. Creditors' turnover days for each of the three years ended 31 December 2012 and the six months ended 30 June 2013 were calculated based on our average trade and bills payable (sum of opening and closing balances of trade and bills payable of respective years/period and then divided by two) divided by our cost of sales of the respective years/period and multiplied by 365 days/182.5 days.

11. Current ratios as of 31 December 2010, 2011 and 2012 and 30 June 2013 were calculated based on our total current assets as of the respective dates divided by our total current liabilities as of the respective dates.

12. Gearing ratios as of 31 December 2010, 2011 and 2012 and 30 June 2013 were calculated based on our total debt (including payables incurred not in the ordinary course of business) as of the respective dates divided by equity attributable to our Shareholders as of the respective years and multiplied by 100%.

13. Debt to equity ratios as of 31 December 2010, 2011 and 2012 and 30 June 2013 were calculated based on our net debts (being total debt net of cash and cash equivalents) as of the respective dates divided by equity attributable to our shareholders as of the respective years and multiplied by 100%. Our Group maintained a net cash position as at 31 December 2011 and 2012 and 30 June 2013.

Turnover growth

Please refer to the paragraph headed "Management's discussion and analysis of financial position and results of operations" above for the reasons of the fluctuations in the turnover growth.

Net profit growth

Please refer to the paragraph headed "Management's discussion and analysis of financial position and results of operations" above for the reasons of the fluctuations in the net profit growth.

Gross margin

Please refer to the paragraph headed "Management's discussion and analysis of financial position and results of operations" above for the reasons of the fluctuations in the gross margin.

Net profit margin before interest and tax

Our net profit margin before interest and tax increased from approximately 23.7% in 2010 to approximately 27.7% in 2011, and to approximately 30.2% in 2012. Our net profit margin before interest and tax further increased to approximately 30.9% for the six months ended 30 June 2013. Such continuous increase in our net profit margin before interest and tax was in line with the increase in gross profit and improvement of our gross profit margin over the Track Record Period.

Net profit margin

Please refer to the paragraph headed "Management's discussion and analysis of financial position and results of operations" above for the reasons of the increase in net profit margin.

Return on equity

Our return on equity decreased from approximately 69.8% in 2011 to approximately 61.9% in 2012. Such decrease was due to the increase in our average equity for the year by approximately 94.9%, which outweighed the increase in our profit for the year of approximately 72.7%.

Return on total assets

Our return on total assets increased from approximately 25.5% in 2011 to approximately 33.7% in 2012. Such increase was due to the increase of our profit for the year by approximately 72.7%, which outweighed the increase in our average total assets of approximately 30.8%.

Current ratio

Our current ratio was approximately 1.4 as at 31 December 2010 and 2011. Such was primarily attributable to the combined effect of the decrease of bills payable under financing arrangement from RMB10.0 million as at 31 December 2010 to nil as at 31 December 2011, offset by the increase in bank borrowings of approximately RMB54.0 million for the year ended 31 December 2011. Our current ratio increased to approximately 4.1 as at 31 December 2012. Such increase was due to the increase in our current assets by approximately 18.3% from approximately RMB477.6 million to approximately RMB565.0 and the decrease of current liabilities of 60.5% from approximately RMB350.4 million to approximately RMB138.4 million. Our current ratio decreased to approximately 3.2 as at 30 June 2013. Such decrease was mainly due to the increase in our current liabilities by approximately 101.1% from approximately RMB138.4 million, which outweighed the increase of current assets by approximately 57.3% from approximately RMB565.0 million.

Debtors' turnover days

Please refer to the paragraph headed "Trade and bills receivables" above for the reasons of the fluctuations in the debtors' turnover days.

Creditors' turnover days

Please refer to the paragraph headed "Trade and bills payables" in this prospectus for the reasons of the fluctuations in the creditors' turnover days.

Gearing ratio

Our gearing ratio increased from approximately 65.1% as at 31 December 2010 to approximately 96.8% as at 31 December 2011. Such increase was due to the increase in our total debt of approximately 100.9% which outweighed the increase in our total equity of approximately 35.0%. Our gearing ratio decreased to approximately 2.7% as at 31 December 2012 from approximately 96.8% as at 31 December 2011, which was mainly due to the decrease of total debt of 93.3% and the increase in our total equity of 139.3%. Our gearing ratio increased slightly to approximately 2.8% as at 30 June 2013 from approximately 2.7% as at 31 December 2012, which was mainly due to the increase of total debt of approximately 41.7%, which outweighed the increase in our total equity of 35.8%

Debt to equity ratio

Our Group recorded a debt to equity ratio of 31.7% as of 31 December 2010 and maintained a net cash position as of 31 December 2011 and 2012 and 30 June 2013.

Interest coverage

Our interest coverage increased from approximately 12.7 times in 2010 to approximately 23.1 times in 2011. Such increase was due to the increase of our profit before finance costs and tax of approximately 85.6%, which outweighed the increase in our finance costs of approximately 2.6%. Our interest coverage further increased to approximately 37.2 times in 2012, primarily due to the increase of our profit before finance costs and tax of approximately 76.6%, which outweighed the increase in our finance costs of approximately 9.0%. No finance cost was incurred during the six months ended 30 June 2013.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL RISK

Currency risk

Certain transactions, bank balances and amount due to a director are denominated in Hong Kong Dollar ("**HK$**") which is different from the functional currency of our Group entities, i.e. RMB, and therefore our Group is exposed to currency risk. Our Group currently does not use any derivative contracts to hedge against its exposure to currency risk. Our management manages our foreign currency risk by monitoring the movement of the foreign currency rate and will consider hedging significant foreign currency exposure should the need arise. As at 31 December 2012, the carrying amount of bank balances and amount due to a director denominated in HK$ amounted to RMB0.1 million and RMB12.6 million respectively. As at 30 June 2013, the carrying amount of bank balances and amount due to a director denominated in HK$ amounted to RMB0.1 million and RMB17.8 million, respectively. Our Group had no material exposure to currency risk as at 31 December 2010 and 2011.

Interest rate risk

Our Group is exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposits, fixed-rate bills payables under financing arrangement and fixed-rate bank borrowing. In addition, our Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings and bank balances. Our Group does not have an interest rate hedging policy. However, our management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. Our cash flow interest rate risk is mainly concentrated on the fluctuation of the interest rates quoted by the People's Bank of China arising from our bank borrowings.

Credit risk

At the end of reporting period, our maximum exposure to credit risk which will cause a financial loss to our Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position. In order to minimise the credit risk, our management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action, are taken to recover overdue debts. In addition, our management reviews the recoverable amount of each individual trade and bills receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our management considers that the credit risk of our Group is significantly reduced.

The credit risk of our Group is concentrated on trade and bills receivables from our five largest customers at 31 December 2010, 2011 and 2012, and 30 June 2013 amounting to approximately RMB59.7 million, RMB64.1 million, RMB145.6 million and RMB139.9 million, respectively, and accounted for approximately 35%, 34%, 64% and 39% of our total trade and bills receivables. These five largest customers include state-owned enterprises and private limited companies registered and operated in the PRC. They are mainly the main contractors of construction projects. In order to minimise the credit risk, our management continuously monitors the level of exposure by frequent review of the credit evaluation of the financial condition and credit quality of our customers to ensure that prompt actions will be taken to lower exposure. Our management considers that the credit risk on liquid funds is low and there is no significant concentration of credit risk. The counterparties are banks with good reputation.

Liquidity risk

Our management monitors and maintains a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. Our management also monitors the utilisation of bank borrowings.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that there has not been any material adverse change in our financial or trading position since 30 June 2013, being the date on which our latest audited consolidated financial statements were made up, the text of which is set out in Appendix I to this prospectus, up to the date of this prospectus.

DISCLOSURE UNDER THE LISTING RULES

We confirm that as at the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma financial information prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules is for illustrative purposes only, and is set out to illustrate the effect of the Global Offering on the adjusted consolidated net tangible assets of our Group as at 30 June 2013, as if they had taken place on such date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of our Group have been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group as at 30 June 2013 or any future date following the Global Offering. It is prepared based on the audited consolidated net tangible assets of our Group as at 30 June 2013 as set out in the Accountants' Report contained in Appendix I to this prospectus, and adjusted as described below.

	Audited consolidated net tangible assets of our Group attributable to owners of our Company as of 30 June 2013	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company as of 30 June 2013	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company as of 30 June 2013 Per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on an Offer Price of HK$1.03 per Share	630,989	300,891	931,880	0.58	0.73
Based on an Offer Price of HK$1.25 per Share	630,989	367,838	998,827	0.62	0.78

Notes:

1. The audited consolidated net tangible assets of our Group attributable to owners of our Company as of 30 June 2013 is based on our consolidated net assets of our Group attributable to owners of our Company as extracted from the Accountants Report as set out in Appendix I to this prospectus.

2. The estimated net proceeds from the Global Offering are based on 400,000,000 Shares to be issued at an indicative Offering Price of HK$1.03 or HK$1.25 per Share, respectively, after deduction of the estimated underwriting fees and other related expenses (excluding approximately RMB22.2 million listing expenses which has been accounted for prior to 30 June 2013) payable by our Group and without taking into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or upon the exercise of options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to the Directors. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of RMB0.7966 to HK$1, which was the rate prevailing on 28 June 2013 as set by the People's Bank of China ("**PBOC**"). No representation is made that the Hong Kong dollar amount have been, could have been or may be converted into Renminbi, or vice versa, at that rate or at all.

3. The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share is arrived on the basis that a total of 1,600,000,000 Shares are expected to be in issue immediately after the Capitalisation Issue and the Global Offering, taking no account of any additional income our Group may have earned from the estimated net proceeds from the Global Offering and any Shares which may fall to be allotted and issued upon the exercise of the Over-allotment Option.

4. The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share is converted into Hong Kong dollars at an exchange rate of RMB0.7966 to HK$1, which was the rate prevailing on 28 June 2013 as set by the PBOC. No representation is made that the Hong Kong dollar amount have been, could have been or may be converted into Renminbi, or vice versa, at that rate or at all.

5. Except for the Capitalisation Issue, no adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets of our Group to reflect any trading results or other transactions which our Group entered into subsequent to 30 June 2013.

PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2013

Forecast consolidated profit attributable to owners of our Company for the year ending 31 December 2013(1)	Not less than RMB265.7 million (equivalent to approximately HK$333.5 million)(3)
Unaudited pro forma forecast basic earnings per Share attributable to owners of our Company for the year ending 31 December 2013(2)	Not less than RMB16.61 cents (equivalent to approximately HK$20.85 cents)(3)

Notes:

1. The bases and assumptions on which the above profit forecast has been prepared are summarised in Appendix III to this prospectus.

   Our forecast consolidated profit attributable to the owners of our Company for the year ending 31 December 2013 prepared by our Directors is based on the audited results of our Group for the six months ended 30 June 2013, the unaudited management accounts of our Group for the two months ended 31 August 2013 and a forecast of the results of our Group for the remaining four months ending 31 December 2013 ("**Forecast Period**"). The forecast has been prepared on the basis of the accounting policies consistent in all material respects with those currently adopted by our Group as summarised in the Accountants' Report set out in Appendix I to this prospectus.

2. The calculation of the unaudited pro forma forecast basic earnings per Share attributable to owners of our Company for the year ending 31 December 2013 is based on the forecast consolidated profit attributable to owners of our Company for the year ending 31 December 2013 and on the assumption that our Company had been listed since 1 January 2013 and that a total number of 1,600,000,000 Shares were in issue during the entire period, taking no account of any additional income our Group may have earned from the estimated net proceeds from the Global Offering and any Shares which may fall to be allotted and issued upon the exercise of the Over-allotment Option or upon the exercise of options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company under general mandates for the allotment and issue or repurchase.

3. The unaudited pro forma forecast basic earnings per Share and forecast consolidated profit are converted into Hong Kong dollars at an exchange rate of RMB0.7966 to HK$1, which was the rate prevailing on 28 June 2013 as set by the PBOC. No representation is made that the Hong Kong dollar amount have been, could have been or may be converted into Renminbi, or vice versa, at that rate or at all.

SENSITIVITY ANALYSIS ON PROFIT FORECAST

The factors influencing the profit forecast are the revenue, gross profit margin and expenses. The sensitivity analysis below illustrates the impact of hypothetical changes in: (i) the revenue of our Group, (ii) the gross profit margin of our Group, and (iii) the expenses of our Group (assuming there is no material change in other factors).

The following illustrates the sensitivity of the forecast of the consolidated profit of our Group for the year ending 31 December 2013 to the changes in our revenue during the Forecast Period:

	+/-5% change in revenue	**+/-10% change in revenue**	**+/-15% change in revenue**
Changes in forecast net profit *(RMB million)*	+/-1.9	+/-3.8	+/-5.7

The above sensitivity analysis assumed that all the costs of sales, selling and marketing expenses, administrative expenses, finance cost and income tax expense will change in line with revenue, and that the gross profit being recognised will remain unchanged for projects which may result in stages of completion less than 20%.

The following illustrates the sensitivity of the forecast of the consolidated profit of our Group for the year ending 31 December 2013 to the changes in our gross profit margin during the Forecast Period:

	+/-3% change in gross profit margin	**+/-6% change in gross profit margin**	**+/-9% change in gross profit margin**
Changes in forecast net profit *(RMB million)*	+/-4.2	+/-8.3	+/-12.5

The above sensitivity analysis assumed that all the costs of sales and tax charges will change in line with the gross profit margin.

The following illustrates the sensitivity of the forecast of the consolidated profit of our Group for the year ending 31 December 2013 to the changes in our expenses during the Forecast Period:

	+/-5% change in expenses	**+/-10% change in expenses**	**+/-15% change in expenses**
Changes in forecast net profit *(RMB million)*	-/+0.6	-/+1.2	-/+1.7

The above sensitivity analysis assumed that all the revenue and costs of sales will remain unchanged, and tax charges will change in line with the expenses.

FUTURE PLANS

Detailed description of our future plans are set out the paragraph headed "Our business strategies" under the section headed "Business".

USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK$1.14 per Offer Share, being the mid point of the indicative Offer Price range) will be approximately HK$425.8 million, assuming that Over-allotment Option is not exercised. We currently intend to apply such net proceeds in the following manner:

- approximately 55.0%, or HK$234.2 million to be used in prefabricated construction business:

  - approximately 6.8%, or HK$29.0 million to be used for improving and expanding the production capacity of prefabricated construction materials by approximately 235,700 sq.m. in terms of gross floor area or 109.1% from an annual production capacity of approximately 216,000 sq.m. in terms of gross floor area for the year ended 31 December 2012 to an annual production capacity of approximately 451,700 sq.m. in terms of gross floor area for the year ending 31 December 2013 by purchasing necessary production equipment and machineries such as steel banding and welding equipments, cement pouring and tamping equipment;

  - approximately 14.7%, or HK$62.5 million to be used to finance the working capital of our potential future prefabricated construction projects;

  - approximately 33.5%, or HK$142.7 million to be used to acquire (a) the existing factory premises, together with the land, production plant and buildings, and office within such factory site, where our current prefabricated construction workshop resides in approximately 12 months from Listing for securing the factory premises which has already been used by us as our workshop since commencement of our prefabricated construction business and which is in close proximity to our existing steel structure workshop; or (b) other factory premises appropriate for prefabricated construction business. If we acquire the existing factory premises where our current prefabricated construction workshop resides, among which:

    (i) approximately 11.0%, or HK$46.8 million to be used to acquire the land;

    (ii) approximately 16.5%, or HK$70.3 million to be used to acquire the production plant and buildings;

(iii) approximately 2.3%, or HK$9.9 million to be used to acquire the office; and

(iv) approximately 3.7%, or HK$15.7 million to be used for acquiring ancillary equipment for setting up of the factory premises.

Such existing factory premises is now leased to us and the term will expire on 31 December 2013. On 23 November 2012, our Group entered into an agreement with the owner of the said premises pursuant to which we were given a first right of refusal to acquire or rent the factory premises. As at the Latest Practicable Date, our Group had not entered into any agreement for the proposed acquisition of such existing factory premises or other premises appropriate. In the event that the acquisition of the said existing premises or other premises appropriate for prefabricated construction business does not utilise the full amount of HK$142.8 million, we may reallocate the remaining amount to expand the production capacity of prefabricated construction materials or finance the working capital of our potential future prefabricated construction projects;

- approximately 23.8%, or HK$101.3 million to be used in steel structure business:

  - approximately 13.8%, or HK$58.7 million to be used for improving and expanding our production capacity of steel structures by approximately 69,400 tons or 104.7% from an annual production capacity of approximately 66,300 tons for the year ended 31 December 2012 to an annual production capacity of approximately 135,700 tons for the year ending 31 December 2013 by applying:

    (i) approximately 10.0%, or HK$42.6 million to purchase necessary production equipment and machineries such as ballasting rust removers and digital controlled material cutting machines; and

    (ii) approximately 3.8%, or HK$16.1 million to expand our existing workshops by approximately 2,300 sq.m.;

    as at the Latest Practicable Date, our Group had not entered into any agreement or memorandum of understanding for acquisition of equipment or machineries or commencement of the related construction work;

  - approximately 10.0%, or HK$42.6 million to be used to finance the working capital of our potential future steel structure projects;

- approximately 11.2%, or HK$47.7 million for potential acquisition of steel structure construction business and related production facilities by the year ending 31 December 2014. As at the Latest Practicable Date, our Group had not entered into any agreement or memorandum of understanding for acquisition of any steel structure companies;

- approximately 5.0%, or HK$21.3 million to be used to further strengthen our research and development capabilities in the steel structure and prefabricated construction techniques through recruitment of staff and purchase of testing equipment;

- approximately 3.0%, or HK$12.8 million for establishing sales offices, employing additional sales and marketing staff and providing training to our staff; and

- approximately 2.0%, or HK$8.5 million for working capital and other general corporate purposes.

If the Offer Price is set at HK$1.25 per Offer Share (being the high-end of the indicative Offer Price), HK$1.03 per Offer Share (being the low-end of the indicative Offer Price) or any price in between, we intend to apply the net proceeds to the above purposes on a pro-rata basis. If the Over-allotment Option is exercised in full or in part, we intend to apply the additional net proceeds from the exercise of the Over-allotment Option to the above purposes on a pro-rata basis.

Should our Directors decide to reallocate the intended use of proceeds to other business plans and/or new projects of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, we will make appropriate announcement(s) in due course.

To the extent that the net proceeds from the Global Offering are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term deposits with licensed banks or authorised financial institutions for so long as it is in our best interests.

Authorised share capital:		*HK$*
5,000,000,000	Shares of HK$0.10 each	500,000,000

Issued and to be issued, fully paid or credited as fully paid

1,000,000	Shares in issue at the date of this prospectus	100,000
1,199,000,000	Shares to be issued pursuant to the Capitalisation Issue	119,900,000
400,000,000	Shares to be issued pursuant to the Global Offering (excluding any Shares with may be issued under the Over-allotment Option)	40,000,000
1,600,000,000	Shares	160,000,000

ASSUMPTIONS

This table assumes the Global Offering has become unconditional and the issue of Shares pursuant thereto is made as described herein. It takes no account of any Shares which may be allotted and issued under the Over-allotment Option or upon the exercise of options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as referred to below or otherwise.

RANKING

The Offer Shares and the Shares which may be issued under the Over-allotment Option or upon the exercise of any options which may be granted under the Share Option Scheme will rank equally with all of the Shares now in issue or to be issued, and will qualify for all dividends or other distributions declared, made or paid on the Shares after the date of this prospectus, except for the Capitalisation Issue.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. A summary of the principal terms of the Share Option Scheme is set out in the paragraph headed "Share Option Scheme" in Appendix V to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total nominal value of not more than the sum of:

i. 20% of the aggregate nominal value of our share capital in issue immediately following completion of the Global Offering but excluding any Shares that may fall to be issued under the Over-allotment Option; and

ii. the aggregate nominal value of our share capital repurchased by our Company (if any) pursuant to the repurchase mandate (as referred to below).

The allotment and issue of Shares under a rights issue or pursuant to the exercise of any subscription rights, warrants which may be issued by our Company from time to time, scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles, or on the exercise of the Over-allotment Option or options granted under the Share Option Scheme do not generally require the approval of shareholders of our Company in general meeting and the aggregate nominal amount of Shares which our Directors are authorised to allot and issue pursuant to this mandate will not be reduced by the allotment and issue of such Shares.

This mandate will expire at:

– the conclusion of our next annual general meeting;

– the expiration of the period within which our next general meeting is required by the Articles or any applicable laws to be held; or

– the date on which such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, see the paragraph headed "Resolutions in writing of our Shareholders passed on 11 October 2013" in the section headed "Further information about our Company and our subsidiaries" in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the total nominal value of our share capital in issue immediately following completion of the Global Offering, but excluding Shares that may fall to be issued under the Over-allotment Option. This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed "Repurchase by our Company of our own securities" in the section headed "Further information about our Company and our subsidiaries" in Appendix V to this prospectus.

This mandate will expire at:

– the conclusion of our next annual general meeting;

– the expiration of the period within which our next annual meeting is required by the Articles or any applicable laws to be held; or

– the date on which such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, see the paragraph headed "Resolutions in writing of our Shareholders passed on 11 October 2013" in the section headed "Further information about our Company and our subsidiaries" in Appendix V to this prospectus.

HONG KONG PUBLIC OFFER UNDERWRITERS

DBS Asia Capital Limited

Kim Eng Securities (Hong Kong) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offer

Hong Kong Public Offer Underwriting Agreement

Pursuant to the Hong Kong Public Offer Underwriting Agreement, our Company has agreed to offer the Hong Kong Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Stock Exchange and to certain other conditions set out in the Hong Kong Public Offer Underwriting Agreement (including the Joint Global Coordinators, for themselves and on behalf of the Underwriters and our Company agreeing to the final Offer Price), the Hong Kong Public Offer Underwriters have severally agreed to subscribe, or procure subscribers to subscribe, for their respective applicable proportions of the Hong Kong Public Offer Shares now being offered which are not taken up under the Hong Kong Public Offer on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Public Offer Underwriting Agreement. The Hong Kong Public Offer Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional.

Grounds for termination

The obligations of the Hong Kong Public Offer Underwriters to subscribe or procure subscribers for the Hong Kong Public Offer Shares are subject to termination if certain events, including force majeure, shall occur at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. The Joint Global Coordinators (for themselves and on behalf of the other Hong Kong Public Offer Underwriters) have the right, at their sole and absolute discretion, to terminate the obligations of the Hong Kong Public Offer Underwriters under the Hong Kong Public Offer Underwriting Agreement if they see fit upon the occurrence of any of the following events:

(a) there has come to the notice of the Joint Global Coordinators:

(i) that any statement contained in any offer documents as defined in the Hong Kong Public Offer Underwriting Agreement ("**Offer Documents**") considered by the Joint Global Coordinators (for themselves and on behalf of the other Hong Kong Public Offer Underwriters) in their sole and absolute opinion to be material in the context of the Global Offering, was, when it was issued, or has become, untrue, incorrect or misleading in any respect or that any forecast, expression of opinion, intention or expectation expressed in any Offer Documents is not, in the sole and absolute opinion of the Joint Global Coordinators, in all material respects, fair and honest and based on reasonable assumptions, when taken as a whole; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom considered by the Joint Global Coordinators (for themselves and on behalf of the other Hong Kong Public Offer Underwriters) in their sole and absolute opinion to be material in the context of the Global Offering; or

(iii) any breach, considered by the Joint Global Coordinators (for themselves and on behalf of the other Hong Kong Public Offer Underwriters) in their sole and absolute opinion to be material in the context of the Global Offering, of any of the obligations imposed or to be imposed upon any party (other than the Hong Kong Public Offer Underwriters) to the Hong Kong Public Offer Underwriting Agreement or the International Underwriting Agreement (in each case, other than on the part of any of the Underwriters); or

(iv) any event, act or omission which gives or is likely to give rise to any liability of any of the warrantors under the Hong Kong Public Offer Underwriting Agreement pursuant to the indemnification provisions of the Hong Kong Public Offer Underwriting Agreement; or

(v) any change or development involving a prospective change in the conditions, business affairs, prospects, profits, losses or the financial or trading position or performance of any member of our Group considered by the Joint Global Coordinators (for themselves and on behalf of the other Hong Kong Public Offer Underwriters) in their sole and absolute opinion to be material in the context of the Global Offering; or

(vi) any breach of any of the warranties contained in the Hong Kong Public Offer Underwriting Agreement considered by the Joint Global Coordinators (for themselves and on behalf of the other Hong Kong Public Offer Underwriters) in their sole and absolute opinion to be material in the context of the Global Offering; or

(vii) the approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares (including any additional Shares that may be issued upon the exercise of the Over-allotment Option) is refused or not granted, other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(viii) our Company withdraws any of Offer Documents (and/or any other documents used in connection with the contemplated subscription of the Offer Shares) or the Global Offering; or

(ix) any person (other than the Hong Kong Public Offer Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents; or

(x) any event, act or omission which gives or is likely to give rise to any material liability of any member of the Group pursuant to the indemnification provisions in the Hong Kong Public Offer Underwriting Agreement; or

(xi) that a petition or an order is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or

(xii) an authority or a political body or organisation in any relevant jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any of our Directors and senior management members as set out in the "Directors, senior management and staff" section of this prospectus; or

(b) there shall develop, occur, exist or come into effect:

(i) any event, or series of events, beyond the reasonable control of the Underwriters (including, without limitation, acts of government or orders of any court, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a national or international emergency, riot, public disorder, economic sanctions, outbreak of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), swine influenza (H1N1) or such related or mutated forms) or interruption or delay in transportation); or

(ii) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, regional, national, international, financial, economic, political, military, industrial, fiscal, regulatory, currency or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets in or affecting Hong Kong, the PRC, the United States, the

United Kingdom, the European Union or any member thereof, Japan or any other jurisdiction relevant to any member of our Group, any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the American Stock Exchange, the NASDAQ Global Market, the NASDAQ National Market, the Tokyo Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, or a material fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency, or any interruption in monetary or trading or securities settlement or clearance services or procedures or matters) in or affecting Hong Kong or anywhere in the world; or

(iii) any new laws, rules, statutes, ordinances, regulations, guidelines, opinions, notices, circulars, orders, judgments, decrees, or rulings of any governmental authority as defined in Hong Kong Public Offer Underwriting Agreement (the "**Laws**") or change or development involving a prospective change in existing Laws or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any of Hong Kong, the PRC, the United States, the United Kingdom, the Cayman Islands, the BVI, Japan, the European Union (or any member thereof) or any other jurisdictions relevant to any member of our Group or the Global Offering (the "**Specific Jurisdictions**"); or

(iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong and/or the Hong Kong Monetary Authority or otherwise), the PRC, New York (imposed at the United States federal or New York state level or otherwise), London, the European Union or any number thereof, Japan or any other jurisdiction relevant to any member of our Group, or a disruption in commercial banking or securities settlement or clearance services in any of the Specific Jurisdictions; or

(v) the imposition of any economic sanctions, in whatever form, directly or indirectly, by or for the United States or the European Union (or any member thereof) on Hong Kong, the PRC, the European Union (or any member thereof) or any of the Specific Jurisdictions; or

(vi) a change or development occurs involving a prospective change in taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investments Laws (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies) in any of the Specific Jurisdictions or affecting an investment in the Shares; or

(vii) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed "Risk factors" in this prospectus; or

(viii) any litigation or claim of any third party being threatened or instigated against any member of our Group; or

(ix) any of our Directors and senior management members of our Company as set out in the section headed "Directors, senior management and staff" of this prospectus being charged with an indictable offence or prohibited by the operation of the Laws or otherwise disqualified from taking part in the management of a company; or

(x) the chairman, chief executive officer, deputy chief executive officer or chief financial officer of our Company vacating his or her office; or

(xi) the commencement by any governmental, regulatory or political body or organisation of any action against a Director in his capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or

(xii) a contravention by any member of our Group or any Director of the Companies Ordinance or any of the Listing Rules; or

(xiii) a prohibition on our Company for whatever reason from allotting or selling the Offer Shares pursuant to the terms of the Global Offering; or

(xiv) non-compliance of this prospectus (and/or any other documents used in connection with the subscription and purchase of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other Laws applicable to the Global Offering; or

(xv) the issue or requirement to issue by our Company of a supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer of Shares) pursuant to the Companies Ordinance or the Listing Rules or any requirement or request of the Stock Exchange; or

(xvi) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or

(xvii) any loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or

(xviii) a petition or an order is presented for the winding-up or liquidation of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement or any resolution passed for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager to take over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or

(xix) an event where, as a result of market conditions or otherwise, a material portion of the orders in the bookbuilding process at the time the International Underwriting Agreement is entered into, has been withdrawn or cancelled, and the Joint Global Coordinators, in its absolute discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering,

which individually or in aggregate in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the other Hong Kong Public Offer Underwriters): (1) has or is or will or could be expected to have an adverse effect on the assets, liabilities, business, general affairs, management, shareholders' equity, profits, losses, results of operation, financial, trading or other condition or prospects or risks of our Company or our Group or any member of our Group or any present or prospective shareholder in his, her or its capacity as such; or (2) has or will have or could be expected to have an adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offer or the level of interest under the International Placing; or (3) makes or will make or may make it inadvisable inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering or shall otherwise result in an interruption to or delay thereof; or (4) has or will have the effect of making any part of the Hong Kong Public Offer Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

Undertakings to the Stock Exchange under the Listing Rules

(A) Undertaking by us

Under Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except pursuant to the Global Offering (including the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme) or for the circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertaking by our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to our Company and the Stock Exchange that he/it will not and will procure that the relevant registered holder(s) will not:

(a) except pursuant to any lending of Shares by Keen Luck pursuant to the Stock Borrowing Agreement, at any time in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date ("**First Six-Month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which they are shown by this prospectus to be the beneficial owners; and

(b) at any time in the period of six months immediately after the expiry of the First Six-Month Period ("**Second Six-Month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Each of our Controlling Shareholders has also undertaken to our Company and the Stock Exchange that within the period commencing on the date of this prospectus and ending on the date which is 12 months from the Listing Date, each of them will:

(a) when he/it pledges or charges any of our Shares or securities of our Company beneficially owned by him/it, whether directly or indirectly, in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of Shares or securities of our Company so pledged or charged; and

(b) if he/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares or securities of our Company will be disposed of, immediately inform our Company in writing of such indications.

We undertake to inform the Stock Exchange as soon as we have received information relating to the above pledge or charge and disclose such matters by way of an announcement which will be published in accordance with the requirements under the Listing Rules.

Other undertakings

(A) Undertaking by us

Our Company has undertaken to the Joint Global Coordinators and the Hong Kong Public Offer Underwriters in the Hong Kong Public Offer Underwriting Agreement that, except pursuant to the Global Offering and options which may be granted under the Over-allotment Option or a share option scheme or with the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Public Offer Underwriters) and unless in compliance with the requirements of the Listing Rules, (a) it will not, and will procure that its subsidiaries will not, allot or issue, or agree to allot or issue, shares or other securities of our Company (including warrants or other convertible or exchangeable securities) or grant or agree to grant any options, warrants or other rights to subscribe for or convertible or exchangeable into shares or other securities of our Company or repurchase shares or other securities of our Company or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequence of ownership of any shares or offer to or agree to do any of the foregoing or announce any intention to do so at any time from the date of the Hong Kong Public Offer Underwriting Agreement up to the expiry of the six months immediately following the Listing Date; (b) it will not enter into any of the transactions described in (a) above or agree or contact to or publicly announce any intention to enter into any such transactions such that our Controlling Shareholders would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company during the period of six months immediately following the expiry of the six-month period mentioned in (a) above; and in the event of our Company doing any of the transactions described in (a) above during the period of the six months immediately following the expiry of the first six-month period after the Listing Date, it will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any shares or other securities of our Company.

(B) Undertaking by Undertaking Shareholders

Each of our Controlling Shareholders, Pure Grand, Mr. Tong, Ms. Feng Mei and Mr. Lai Chau Yung (together with the Controlling Shareholders, the "**Undertaking Shareholders**") has, jointly and severally, undertaken to each of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Public Offer Underwriters that, except pursuant to the Global Offering, the Over-allotment Option or the stock borrowing arrangement, without the prior written consents of the Joint Global Coordinators (for themselves or on behalf of the other underwriters), the Undertaking Shareholders shall not, during the period commencing from the date of this prospectus and ending on the date which is 12 months from the Listing Date:

(a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or grant, contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interest or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, or cause us to repurchase, any of our Shares or debt capital or our other securities or any interest in our Shares or debt capital or any voting right or any other right attaching thereto (including but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any of our Shares or debt capital or any other securities or any interest in our Shares or debt capital owned directly by the Undertaking Shareholders (including holding as a custodian) or with respect to which the Undertaking Shareholders have beneficial ownership (collectively the "**Lock-up Shares**")). The foregoing restriction is expressly agreed to preclude the Undertaking Shareholders from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of the Lock-up Shares even if such Shares would be disposed of by someone other than the Undertaking Shareholders, respectively. Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of the Lock-up Shares or with respect to any security that includes, relates to, or derives any significant part of its value from such Shares; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any of our Shares or debt capital or our other securities or any interest in our Shares or debt capital or any voting right or any other right attaching thereto; or

(c) offer or agree or contract to enter or enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; or

(d) publicly announce any intention to enter into, any transaction described in (a), (b) or (c) above,

whether any transaction described in (a), (b) or (c) above is to be settled by delivery of Shares or such other securities, in cash or otherwise.

The Undertaking Shareholders, jointly and severally, further undertake that in the event of a disposal of any Lock-up Shares, securities or any interest of our securities or any voting right or any other right attaching thereto during the Second Six-Month Period, they will take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for our Shares.

The Joint Global Coordinators will not give their written consents allowing either of our Controlling Shareholders to dispose of the Lock-up Shares during the Second Six-Month Period, if such disposal will render our Controlling Shareholders collectively cease to be the controlling shareholder (as defined in the Listing Rules) of our Company.

Each of the Undertaking Shareholders shall irrevocably, jointly and severally, grant to the Joint Global Coordinators a right of first refusal to act as (or for the relevant nominee or a relevant affiliate of the Joint Global Coordinators to act as) his/its placing agent in respect of any placement or disposal of the Lock-up Shares during the Second Six-Month Period. For each placement or disposal of the Lock-up Shares (a "**Proposed Placing**"), each of the Undertaking Shareholders shall make an offer to the Joint Global Coordinators for the appointment of placing agent in respect of the Proposed Placing and discuss in good faith with the Joint Global Coordinators (or the relevant nominee or affiliate of the Joint Global Coordinators, as the case may be) with a view to agreeing on the terms of such appointment including the fees and commissions and executing the necessary documentation upon terms as shall be appropriate and customary for internationally recognised investment banking firms for transactions of the type under contemplation. Each of the Undertaking Shareholders shall not place or dispose of the Lock-up Shares unless (i) the Joint Global Coordinators shall first have declined such offer in writing or shall not have accepted such offer within a reasonable period after such offer was made; (ii) he/it shall first have obtained the written consent from the Joint Global Coordinators; and (iii) in the event that the proposed terms for him/it to appoint a party other than the Joint Global Coordinators (or the relevant nominee or a relevant affiliate of the Joint Global Coordinators, as the case may be) (a "**Third Party**") to act as placing agent for such Proposed Placing are more favourable than the ones offered to the Joint Global Coordinators, he/it shall first make the same offer to the Joint Global Coordinators and he/it shall not appoint such Third Party unless the Joint Global Coordinators shall have first declined such offer in writing, or shall not have accepted such offer within a reasonable period after such offer was made. For the avoidance of doubt, the Joint Global Coordinators are entitled (but not obligated) to be so appointed.

Each of the Undertaking Shareholders have, jointly and severally, has undertaken to each of our Company, the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters that at any time during the Second Six Month Period, he/it shall:

(a) if he/it pledges or charges or otherwise creates encumbrances over any Shares or securities of our Company or interests therein in respect of which he/it is the beneficial owner, whether directly or indirectly, immediately inform each of our Company, the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Public Offer Underwriters in writing of any such pledges or charges or encumbrances and the number of Shares or securities of our Company so pledged or charged or encumbered; and

(b) if he/it receives any indication, either verbal or written, from any pledgee or chargee or encumbrancer or such third party that any of the pledged, charged, encumbered Shares or other securities of our Company will be disposed of, immediately inform each of our Company, the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Public Offer Underwriters in writing of any such indication.

Our Company will inform the Joint Sponsors and the Joint Global Coordinators in writing as soon as it has been informed of the matters above (if any) by the Undertaking Shareholders.

International Placing

In connection with the International Placing, it is expected that our Company will enter into the International Underwriting Agreement with, inter alia, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions, severally agree to subscribe or procure subscribers for the International Placing Shares being offered pursuant to the International Placing.

Our Company is expected to grant to the Joint Global Coordinators the Over-allotment Option, exercisable by the Joint Global Coordinators at any time from the date of the International Underwriting Agreement until 30 days after the last day for lodging of applications under the Hong Kong Public Offer to require our Company to allot up to an aggregate of 60,000,000 additional International Placing Shares representing 15% of the initial Offer Shares, at the same price per Share under the International Placing to cover, among other things, over-allocations (if any) in the International Placing.

Commission and expenses

The commission payable to the Underwriters in relation to the Global Offering will be borne by our Company. The Underwriters will receive an underwriting commission at the rate of 4.5% of the aggregate Offer Price payable for the Offer Shares (including Shares to be issued pursuant to the exercise of the Over-allotment Option), out of which they pay any sub-underwriting commissions. In addition, an additional incentive fee of 0.75% of the Offer Price of all the Offer Shares will be paid to the Joint Global Coordinators, if the Over-allotment Option is exercised subject to the terms of the Underwriting Agreements.

The underwriting commissions, listing fees, Stock Exchange trading fee and transaction levy, legal and printing and other professional fees and other expenses relating to the Global Offering are estimated to amount to approximately HK$51.1 million in total paid and payable by our Company, based on the mid-point of the indicative range of the Offer Price of HK$1.14 per Share, and assuming that the Over-allotment Option is not exercised.

Hong Kong Public Offer Underwriters' interests in our Company

Save for their obligations under the Hong Kong Public Offer Underwriting Agreements, none of the Hong Kong Public Offer Underwriters has any shareholding interests in our Company nor has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Shares in our Company nor any interest in the Global Offering.

Indemnity

Our Company and our Controlling Shareholders have agreed to indemnify the Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations under the Underwriting Agreements and any breach by us of the Underwriting Agreements.

Joint Sponsors' Independence

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offer which forms part of the Global Offering. DBS and Kim Eng are the Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers of the Global Offering.

The Global Offering consists of (subject to the Over-allotment Option):

(i) the Hong Kong Public Offer of 40,000,000 Offer Shares (subject to adjustment as mentioned below) in Hong Kong as described below in the paragraph headed "Hong Kong Public Offer"; and

(ii) the International Placing of 360,000,000 Offer Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States in reliance on Regulation S.

Investors may apply for Offer Shares under the Hong Kong Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the International Placing, but may not do both. The Hong Kong Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Placing will involve selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdiction outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The International Underwriters are soliciting from prospective investors' indications of interest in acquiring the Offer Shares in the International Placing. Prospective professional, institutional, corporate and other investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Hong Kong Public Offer and the International Placing respectively may be subject to reallocation and, in the case of the International Placing only, the Over-allotment Option as set out in the paragraphs headed "Over-allotment Option" below.

The Hong Kong Public Offer is fully underwritten by the Hong Kong Public Offer Underwriters under the terms of the Hong Kong Public Offer Underwriting Agreement and is subject to our Company and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Public Offer Underwriters) agreeing on the Offer Price. Our Company expects to enter into the International Underwriting Agreement relating to the International Placing on the Price Determination Date. Details of the underwriting arrangements are summarised in the section headed "Underwriting" in this prospectus.

HONG KONG PUBLIC OFFER

Number of Shares initially offered

Our Company is initially offering 40,000,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Shares between (i) the International Placing; and (ii) the Hong Kong Public Offer as mentioned below, the number of the Hong Kong Public Offer Shares will represent 2.5% of our Company's enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue (without taking into account the Over-allotment Option and any option which may be granted under the Share Option Scheme).

Completion of the Hong Kong Public Offer is subject to the conditions as set out in the paragraph below headed "Conditions of the Hong Kong Public Offer."

Conditions of the Hong Kong Public Offer

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offer will be conditional on, among others:

(i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the shares in issue and the Offer Shares to be issued pursuant to the Global Offering (including the additional Offer Shares which may be issued pursuant to the exercise of the Over-allotment Option) and such listing and permission not having been subsequently revoked prior to the commencement dealings in the Shares on the Stock Exchange;

(ii) the Offer Price having been determined and the execution of the Price Determination Agreement on or around the Price Determination Date and the Price Determination Agreement not having been subsequently revoked;

(iii) the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Joint Global Coordinators, for themselves and on behalf of the Underwriters) and such obligations not being terminated in accordance with the terms of respective agreements; and

(iv) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date,

in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date that is 30 days after the date of this prospectus.

The consummation of each of the Hong Kong Public Offer and the International Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offer to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.chinasaite.com.cn** on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to apply for Hong Kong Public Offer Shares". In the meantime, all application monies will be held in separate bank account(s) with the receiving banker(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be despatched on Thursday, 31 October 2013 but will only become valid certificates of title at 8:00 a.m. on Friday, 1 November 2013 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting – Grounds for termination" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offer will be based solely on the level of valid applications received under the Hong Kong Public Offer. The basis of allocation may vary, depending on the number of Hong Kong Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

The total number of Offer Shares available under the Hong Kong Public Offer (after taking into account of any reallocation referred to below) is to be divided into two pools (subject to adjustment of odd lot size) for allocation purposes: pool A and pool B. The Offer Shares in pool A will be allocated on an equitable basis to successful applicants who have applied for Hong Kong Public Offer Shares with an aggregate price of HK$5,000,000 (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable) or less. The Offer Shares in pool B will be allocated on an equitable basis to successful applicants who have applied for Hong Kong Public Offer Shares with an aggregate price of more than HK$5,000,000 (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable and up to the initial value of pool B). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Hong Kong Public Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Public Offer Shares from either pool A or pool B but not from both pools and may only apply for Hong Kong Public Offer Shares in either pool A or pool B.

Multiple or suspected multiple applications within either pool or between pools and any application for more than 20,000,000 Hong Kong Public Offer Shares (being 50% of the initial number of Hong Kong Public Offer Shares) are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offer and the International Placing is subject to the following adjustments in the event of over-subscription under the Hong Kong Public Offer:

- If the number of the Offer Shares validly applied for under the Hong Kong Public Offer represents 15 times or more but less than 50 times the number of Hong Kong Offer Shares initially available for subscription under the Hong Kong Public Offer, then International Placing Shares will be reallocated to the Hong Kong Public Offer from the International Placing, so that the total number of Hong Kong Public Offer Shares available under the Hong Kong Public Offer will be 120,000,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering;

- If the number of the Offer Shares validly applied for under the Hong Kong Public Offer represents 50 times or more but less than 100 times the number of Hong Kong Offer Shares initially available for subscription under the Hong Kong Public Offer, then International Placing Shares will be reallocated to the Hong Kong Public Offer from the International Placing, so that the total number of Hong Kong Public Offer Shares available under the Hong Kong Public Offer will be 160,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering;

- If the number of the Offer Shares validly applied for under the Hong Kong Public Offer represents 100 times or more the number of Hong Kong Offer Shares initially available for subscription under the Hong Kong Public Offer, then International Placing Shares will be reallocated to the Hong Kong Public Offer from the International Placing, so that the total number of Hong Kong Public Offer Shares available under the Hong Kong Public Offer will be 200,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offer will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Placing will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate. In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Placing to the Hong Kong Public Offer to satisfy valid applications under the Hong Kong Public Offer.

If the Hong Kong Public Offer Shares are not fully subscribed for, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Public Offer Shares to the International Placing, in such proportion as the Joint Global Coordinators deem appropriate.

Applications

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered shares under the International Placing, and who has made an application under the Hong Kong Public Offer, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offer and to ensure that it is excluded from any application for shares under Hong Kong Public Offer.

Each applicant under the Hong Kong Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Placing.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Joint Sponsors. The maximum Offer Price of HK$1.25 per Share plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% in each case of the Offer Price amounting to a total of HK$2,525.21 per board lot of 2,000 Offer Shares is payable in full on application. If the Offer Price, as finally determined in the manner described in the paragraph headed "Price determination of the Global Offering" below, is less than the maximum price of HK$1.25 per Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to apply for Hong Kong Public Offer Shares".

References in this prospectus to applications, Application Forms, application monies or the procedures for application relate solely to the Hong Kong Public Offer.

INTERNATIONAL PLACING

The number of Offer Shares to be initially offered for subscription under the International Placing will be 360,000,000 Offer Shares (subject to reallocation and the Over-allotment Option), representing approximately 90% of the total number of the Offer Shares initially available under the Global Offering. The International Placing is subject to the Hong Kong Public Offer being unconditional.

The International Placing will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer

Shares pursuant to the International Placing will be effected in accordance with the book-building process and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

Over-allotment Option

In connection with the Global Offering, we are expected to grant to the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) an Over-allotment Option at any time from the date of the International Underwriting Agreement up to 30 days from the last day for the lodging of applications under the Global Offering.

Pursuant to the Over-allotment Option, we may be required by the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) to allot and issue up to 60,000,000 additional new Shares, representing 15% of the total number of the Offer Shares initially available under the Global Offering, at the Offer Price to cover, among other things, over-allocation in the International Placing, if any, subject to the same terms and conditions as the other Offer Shares. If the Over-allotment Option is exercised in full, the additional new Shares will represent approximately 3.6% of our enlarged share capital immediately following completion of the Global Offering and the exercise of the Over-allotment Option but without taking into account any Shares which may fall to be issued upon the exercise of any options to be granted under the Share Option Scheme. In the event that the Over-allotment Option is exercised, an announcement will be made in accordance with the Listing Rules.

PRICE DETERMINATION OF THE GLOBAL OFFERING

The Offer Price is expected to be determined by us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date, which is currently expected to be on or around Friday, 25 October 2013 or such later date as may be agreed by us and the Joint Global Coordinators, but in any event, no later than Thursday, 31 October 2013. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Underwriters) and us by Thursday, 31 October 2013, the Global Offering will not become unconditional and will lapse immediately.

The Offer Price will be not more than HK$1.25 per Offer Share and is expected to be not less than HK$1.03 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offer.

Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Joint Global Coordinators, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors and other investors during the book-building process, and with our consent, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offer, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.chinasaite.com.cn** notices of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offer.

Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the offer statistics as currently set out in the section headed "Summary" this prospectus, and any other financial information which may change as a result of such reduction. **Applicants under the Hong Kong Public Offer should note that in no circumstances can applications be withdrawn once submitted, even if the number of Offer Shares being offered under the Global Offering and/or the offer price range is so reduced.** In the absence of any such notice so published, the Offer Price, if agreed upon by us with the Joint Global Coordinators (for themselves and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The final Offer Price, the indications of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares available under the Hong Kong Public Offer, are expected to be announced on Thursday, 31 October 2013 in the manner set out in the paragraph "How to apply for Hong Kong Public Offer Shares – 11. Publication of results" in this prospectus.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to minimise and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong and a number of other jurisdictions, activity aimed at reducing the market price is prohibited and the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, Kim Eng, as the Stabilising Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period commencing on the Listing Date. However, there is no obligation on the Stabilising Manager or any person acting for it to do this. Such stabilising action, if taken, may be discontinued at any time, and is required to be brought to an end after a limited period.

Subject to and under the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong), the Stabilising Manager, its affiliates or any person acting for it may take all or any of the following stabilising action in Hong Kong during the stabilisation period:

(i) purchase, or agree to purchase, any of our Shares or offer or attempt to do so for the sole purpose of preventing or minimising any reduction in the market price of the Shares;

(ii) in connection with any action described in paragraph (i) above;

(a) (1) over-allocate our Shares; or

(2) sell or agree to sell the Shares so as to establish a short position in them, for the sole purpose of preventing or minimising any reduction in the market price of our Shares;

(b) exercise the Over-allotment Option and purchase or subscribe for, or agree to purchase or subscribe for, our Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (a) above;

(c) sell or agree to sell any Shares acquired by it in the course of the stabilising action referred to in the paragraph (i) above in order to liquidate any position that has been established by such action; or

(d) offer or attempt to do anything described in (ii)(a), (ii)(b) or (ii)(c) above.

Specifically, prospective applicants for and investors in the Shares should note that:

- the Stabilising Manager or any of its affiliates or any person acting for it (for itself and on behalf of the Underwriters), may, in connection with the stabilising action, maintain a long position in the Shares, and there is no certainty regarding the extent to which and the time period for which the Stabilising Manager or any of its affiliates or any person acting for it (for itself and on behalf of the Underwriters), will maintain such a position;

- liquidation of any such long position by the Stabilising Manager may have an adverse impact on the market price of the Shares;

- stabilising action cannot be used to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date and end on the 30th day after the last day for lodging of applications under the Hong Kong Public Offer. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, may fall;

- the market price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by taking of any stabilising action; and

- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

An announcement in compliance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the laws of Hong Kong) will be made within seven days after the expiration of the stabilising period.

In order to facilitate the settlement of over-allocations in connection with the International Placing, the Stabilising Manager may choose to borrow up to 60,000,000 Shares from Keen Luck, being one of our Controlling Shareholders, equivalent to the maximum number of additional Shares to be issued upon full exercise of the Over-allotment Option, under the Stock Borrowing Agreement on the following conditions in compliance with Rule 10.07(3) of the Listing Rules:

- the Stock Borrowing Agreement will only be effected by the Stabilising Manager for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;

- the maximum number of Shares to be borrowed from Keen Luck by the Stabilising Manager will be the maximum number of Shares that may be issued upon exercise of the Over-allotment Option;

- the same number of Shares so borrowed must be returned to Keen Luck or its nominees (as the case may be) within three business days (being days on which the Stock Exchange is open for the business of dealing in securities) after the earlier of (i) the last day on which the Over-allotment Option may be exercised, or (ii) the date on which the Over-allotment Option is exercised in full;

- borrowing of Shares pursuant to the Stock Borrowing Agreement will be effected in compliance with all applicable Listing Rules, laws and other regulatory requirements; and

- no payments will be made to Keen Luck by the Stabilising Manager in relation to the Stock Borrowing Agreement.

COMMENCEMENT OF DEALING IN THE SHARES

Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on the Listing Date, it is expected that dealings in the Offer Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 1 November 2013.

Our Shares will be traded in board lots of 2,000 each. The stock code of our Shares is 153.

1. HOW TO APPLY

If you apply for Hong Kong Public Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at **www.hkeipo.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any our subsidiaries;
- a Director or chief executive officer of our Company and/or any of our subsidiaries ("Eligible Director");
- an associate of any of the above;
- a connected person of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR HONG KONG PUBLIC OFFER SHARES

Which application channel to use

For Hong Kong Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Hong Kong Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 22 October 2013 until 12:00 noon on Friday, 25 October 2013 from:

any of the following addresses of the Hong Kong Public Offer Underwriters:

DBS Asia Capital Limited	17th Floor, The Center, 99 Queen's Road Central, Hong Kong
Kim Eng Securities (Hong Kong) Limited	Level 30, Three Pacific Place, 1 Queen's Road East, Hong Kong

any of the following branches of **DBS Bank (Hong Kong) Limited**:

	Branch Name	**Address**
Hong Kong Island	Head Office	G/F, The Center, 99 Queen's Road Central
	United Centre Branch	Shops 1015-1018 on 1/F, United Centre, 95 Queensway, Admiralty
	North Point Branch	G/F, 391 King's Road, North Point
	Hennessy Road Branch	427-429 Hennessy Road, Causeway Bay
Kowloon	Nathan Road Branch	G/F, Wofoo Commercial Building, 574-576 Nathan Road, Mongkok
	Tsimshatsui Branch	G/F, 22-24 Cameron Road, Tsimshatsui
	Hoi Yuen Road Branch	Unit 2, G/F, Hewlett Centre, 54 Hoi Yuen Road, Kwun Tong
New Territories	Yuen Long Branch	G/F, 1-5 Tai Tong Road, Yuen Long
	Shatin Plaza Branch	Shops 47-48, Level 1, Shatin Plaza, 21-27 Sha Tin Centre Street, Shatin
	Tsuen Wan Branch	G/F, 23 Chung On Street, Tsuen Wan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 22 October 2013 until 12:00 noon on Friday, 25 October 2013 from the Depository Counter of HKSCC at 2/F, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong or from your stockbroker.

Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Ting Hong Nominees Limited – China Saite Group Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Tuesday, 22 October 2013	**–**	**9:00 a.m. to 5:00 p.m.**
Wednesday, 23 October 2013	**–**	**9:00 a.m. to 5:00 p.m.**
Thursday, 24 October 2013	**–**	**9:00 a.m. to 5:00 p.m.**
Friday, 25 October 2013	**–**	**9:00 a.m. to 12:00 noon**

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 25 October 2013, the last application day or such later time as described in "10. Effect of bad weather on the opening of the applications lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles;

(ii) agree to comply with the Companies Ordinance and the Articles;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;

(viii) agree to disclose to our Company, our Hong Kong Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Joint Global Coordinators and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Public Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional instructions for Yellow Application Form

You may refer to the **Yellow** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in "Who can apply" section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for submitting applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, 22 October 2013 until 11:30 a.m. on Friday, 25 October 2013 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 25 October 2013 or such later time under the "10. Effects of bad weather on the opening of the applications lists" in this section.

No multiple applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO white form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
2/F, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Public Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;

- declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;

- confirm that you understand that our Company, our Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of our Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offer results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Public Offer Shares;

- agree with our Company, for ourselves and for the benefit of each Shareholder (and so that our Company will be deemed by our acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for ourselves and on behalf of each of our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance and the Articles; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Public Offer Shares. Instructions for more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Public Offer Shares will be considered and any such application is liable to be rejected.

Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Tuesday, 22 October 2013	**–**	**9:00 a.m. to 8:30 p.m.(1)**
Wednesday, 23 October 2013	**–**	**8:00 a.m. to 8:30 p.m.(1)**
Thursday, 24 October 2013	**–**	**8:00 a.m. to 8:30 p.m.(1)**
Friday, 25 October 2013	**–**	**8:00 a.m.(1) to 12:00 noon**

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 22 October 2013 until 12:00 noon on Friday, 25 October 2013 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 25 October 2013, the last application day or such later time as described in "10. Effect of bad weather on the opening of the application lists" in this section.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Personal data

The section of the Application Form headed "Personal data" applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Joint Bookrunners, the Joint Sponsors, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 25 October 2013.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 2,000 Hong Kong Public Offer Shares. Each application or electronic application instruction in respect of more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the section headed "Structure and conditions of the Global Offering – Price determination of the Global Offering" in this prospectus for details.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 25 October 2013. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 25 October 2013 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected timetable" in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offer and the basis of allocation of the Hong Kong Public Offer Shares on Thursday, 31 October 2013 in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese), on our Company's website at **www.chinasaite.com.cn** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www. chinasaite.com.cn** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Thursday, 31 October 2013;

- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, 31 October 2013 to 12:00 midnight on Wednesday, 6 November 2013;

- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 31 October 2013 to Tuesday, 5 November 2013 on a business day (excluding Saturday, Sunday and public holiday);

- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 31 October 2013 to Monday, 4 November 2013 at the branches of the receiving bank in the "Where to collect the Application Forms" in this section.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Public Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Please refer to the section headed "Structure and conditions of the Global Offering" in this prospectus for details.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Public Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Public Offer Shares is void:

The allotment of Hong Kong Public Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Public Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$1.25 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with the section headed "Structure and conditions of the Global Offering – Conditions of the Hong Kong Public Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 31 October 2013.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Public Offer Shares allotted to you under the Hong Kong Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/ passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Thursday, 31 October 2013. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 1 November 2013 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 31 October 2013 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 31 October 2013, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, 31 October 2013, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 31 October 2013, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

  For Hong Kong Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

  Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offer in the manner described in the paragraph headed "Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 31 October 2013 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

***(iii) If you apply through the* HK eIPO White Form** service

If you apply for 1,000,000 Hong Kong Public Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 31 October 2013, or such other date as notified by the Company in the newspapers as the date of despatch/collection of share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, 31 October 2013 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Public Offer Shares

For the purposes of allocating Hong Kong Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 31 October 2013, or on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offer in the manner specified in the paragraph headed "11. Publication of results" above on Thursday, 31 October 2013. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 31 October 2013 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 31 October 2013. Immediately following the credit of the Hong Kong Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or he designated bank account of your broker or custodian on Thursday, 31 October 2013.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

Deloitte.
德勤

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Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

22 October 2013

The Directors
China Saite Group Company Limited

DBS Asia Capital Limited
Kim Eng Securities (Hong Kong) Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding China Saite Group Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2012 and the six months ended 30 June 2013 (the "Relevant Periods") for inclusion in the prospectus of the Company dated 22 October 2013 (the "Prospectus") issued in connection with the proposed listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing").

The Company, which acts as investment holding company, was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 31 July 2012. Pursuant to a corporate reorganisation, as more fully explained in the section headed "Group reorganisation" in Appendix V to the Prospectus (the "Corporate Reorganisation"), the Company became the holding company of the companies comprising the Group on 28 December 2012.

All subsidiaries have adopted 31 December as their financial year end date.

Particulars of the Company's subsidiaries during the Relevant Periods and at the date of this report are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Equity interest attributable to the Group At 31 December 2010	2011	2012	At 30 June 2013	At date of this report	Issued and fully paid share capital/ registered capital	Principal activities
Modern Day Holdings Limited ("Modern Day")	Hong Kong ("HK") 22 February 2011	–	100%	100%	100%	100%	Ordinary shares HK$1,000,000	Investment holding
China Saite (Overseas) Company Limited ("Saite Overseas")	British Virgin Islands ("BVI") 21 June 2012	–	–	100%	100%	100%	Ordinary share US$1	Investment holding
China Saite (H.K.) Company Limited ("Saite (HK)")	HK 23 July 2012	–	–	100%	100%	100%	Ordinary share HK$1	Investment holding
宜興市至誠諮詢有限公司 Yixing City Zhicheng Consultation Company Limited ("Yixing Zhicheng") *(note a)*	People's Republic of China ("PRC") 2 July 2012	–	–	100%	100%	100%	Registered capital RMB16,667,000	Investment holding
江蘇賽特鋼結構有限公司 Jiangsu Site Steel Structure Co., Ltd. ("Jiangsu Saite") *(note b)*	PRC 24 September 1998	100%	100%	100%	100%	100%	Registered capital RMB66,667,000	Construction of steel structure and prefabricated construction projects

Notes:

(a) The entity is a wholly foreign-owned enterprise established in the PRC. The English name is for translation purpose.

(b) The entity is a sino-foreign equity joint venture established in the PRC. The English name is for translation purpose.

Other than Saite Overseas which is wholly-owned and held directly by the Company, all other subsidiaries are indirectly held by the Company.

No audited financial statements have been prepared for the Company and Saite Overseas as there is no statutory audit requirements in the Cayman Islands and the BVI, respectively.

No audited financial statements have been prepared for Saite (HK) as this company was incorporated during the year ended 31 December 2012 and its first set of statutory financial statements is not yet due to be issued.

For the purpose of this report, we have, however, reviewed the relevant transactions of the Company, Saite Overseas and Saite (HK) since their respective dates of incorporation and carried out such procedures as we considered necessary for inclusion of the financial information relating to these companies in this report.

The statutory financial statements of Jiangsu Saite for each of the three years ended 31 December 2012 and Yixing Zhicheng for the period from 2 July 2012 (date of establishment) to 31 December 2012 were prepared in accordance with the relevant accounting principles and financial regulations applicable in the PRC and were audited by 宜興達華會計師事務所有限公司, certified public accountants registered in the PRC.

We have audited the statutory financial statements of Modern Day for the period from 22 February 2011 (date of incorporation) to 31 December 2011 and for the year ended 31 December 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") except for non-consolidation of a subsidiary as required by Hong Kong Accounting Standard 27 "Consolidated and Separate Financial Statements", in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

For the purpose of this report, the directors of the Company have prepared consolidated financial statements of the Group for the Relevant Periods in accordance with HKFRSs issued by the HKICPA (the "Underlying Financial Statements"). We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and carried out procedures which we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 1 of Section A below. No adjustment has been made by us to the Underlying Financial Statements in preparing our report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are also responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 1 of Section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as at 31 December 2012 and 30 June 2013 and of the Group as at 31 December 2010, 2011 and 2012 and 30 June 2013, and of the consolidated results and consolidated cash flows of the Group for the Relevant Periods.

The comparative consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the six months ended 30 June 2012 together with the notes thereon have been extracted from the unaudited consolidated financial information for the same period (the "Interim Financial Information") which was prepared by the directors of the Company solely for the purpose of this report. We conducted our review of the Interim Financial Information in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the Interim Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the Interim Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Six months ended	
	Notes	**2010**	**2011**	**2012**	**2012**	**2013**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Revenue	*7*	406,904	646,818	1,048,078	673,400	815,281
Cost of sales		(302,875)	(456,941)	(711,877)	(457,048)	(547,800)
Gross profit		104,029	189,877	336,201	216,352	267,481
Other income	*9*	3,788	4,044	7,993	1,960	2,627
Selling and marketing expenses		(2,352)	(3,389)	(1,106)	(849)	(1,027)
Administrative expenses		(8,826)	(11,205)	(15,271)	(6,419)	(6,360)
Other expenses	*10*	–	–	(11,078)	(4,762)	(11,169)
Finance costs	*11*	(7,599)	(7,778)	(8,506)	(5,900)	–
Profit before tax		89,040	171,549	308,233	200,382	251,552
Income tax expense	*14*	(27,758)	(53,587)	(104,406)	(66,870)	(85,199)
Profit and total comprehensive income for the year/period attributable to owners of the Company	*15*	61,282	117,962	203,827	133,512	166,353
Earnings per share						
Basic *(RMB cents)*	*17*	5.11	9.83	16.99	11.13	13.86

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At 31 December			At 30 June
	Notes	2010	2011	2012	2013
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	*18*	45,998	44,322	39,230	41,250
Prepaid lease payments	*19*	15,388	15,049	14,710	14,541
Deposits paid for acquisition of property, plant and equipment	*20*	7,500	26,832	26,832	26,832
		68,886	86,203	80,772	82,623
Current assets					
Amounts due from customers for contract work	*21*	31,865	6,558	2,414	934
Trade and bills receivables	*22*	171,688	191,040	229,125	359,371
Other receivables, deposits and prepayments	*23*	704	736	4,054	7,594
Prepaid lease payments	*19*	339	339	339	339
Pledged bank deposits	*24*	39,500	65,000	–	–
Bank balances and cash	*24*	48,000	213,964	329,046	520,628
		292,096	477,637	564,978	888,866
Current liabilities					
Amounts due to customers for contract work	*21*	–	143	8,272	6,232
Trade and bills payables	*25*	98,227	135,209	38,680	149,934
Other payables and accruals	*26*	9,619	18,155	71,027	58,534
Bills payables under financing arrangement	*27*	10,000	–	–	–
Amount due to a director	*28*	97	495	12,558	17,790
Amount due to former immediate holding company	*29*	–	50,000	–	–
Tax liabilities		6,394	8,888	7,904	45,936
Bank borrowings	*30*	83,500	137,500	–	–
		207,837	350,390	138,441	278,426

	Notes	At 31 December 2010 RMB'000	2011 RMB'000	2012 RMB'000	At 30 June 2013 RMB'000
Net current assets		84,259	127,247	426,537	610,440
Total assets less current liabilities		153,145	213,450	507,309	693,063
Non-current liability					
Deferred tax liability	*31*	9,365	19,308	42,673	62,074
		143,780	194,142	464,636	630,989
Capital and reserves					
Paid-in/share capital	*32*	50,000	–	80	80
Reserves		93,780	194,142	464,556	630,909
Equity attributable to owners of the Company		143,780	194,142	464,636	630,989

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Paid-in/ share capital RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000 (Note a)	Retained profits RMB'000	Total RMB'000
At 1 January 2010	50,000	–	5,810	35,688	91,498
Profit and total comprehensive income for the year	–	–	–	61,282	61,282
Distribution *(note 16)*	–	–	–	(9,000)	(9,000)
Transfer to statutory reserves	–	–	6,706	(6,706)	–
At 31 December 2010	50,000	–	12,516	81,264	143,780
Profit and total comprehensive income for the year	–	–	–	117,962	117,962
Distribution *(note 16)*	–	–	–	(17,600)	(17,600)
Deemed distribution upon group reorganisation *(note 32(b))*	(50,000)	–	–	–	(50,000)
Transfer to statutory reserves	–	–	12,484	(12,484)	–
At 31 December 2011	–	–	25,000	169,142	194,142
Profit and total comprehensive income for the year	–	–	–	203,827	203,827
Waiver of amount due to former immediate holding company *(note 29)*	–	50,000	–	–	50,000
Issue of shares by the Company under reorganisation *(note 32(c))*	80	(80)	–	–	–
Capital contribution from shareholders under reorganisation *(note b)*	–	16,667	–	–	16,667
Transfer to statutory reserves	–	–	8,334	(8,334)	–
At 31 December 2012	80	66,587	33,334	364,635	464,636
Profit and total comprehensive income for the period	–	–	–	166,353	166,353
At 30 June 2013	80	66,587	33,334	530,988	630,989
(Unaudited)					
At 1 January 2012	–	–	25,000	169,142	194,142
Profit and total comprehensive income for the period	–	–	–	133,512	133,512
Waiver of amount due to former immediate holding company *(note 29)*	–	50,000	–	–	50,000
At 30 June 2012	–	50,000	25,000	302,654	377,654

Notes:

(a) The statutory reserves represent the amount transferred from net profit for the year of Jiangsu Saite (based on the Jiangsu Saite's PRC statutory financial statements) in accordance with the relevant PRC laws until the statutory reserves reach 50% of the registered capital of the subsidiary. The statutory reserves cannot be reduced except either in setting off the accumulated losses or increasing capital.

(b) Pursuant to the Corporate Reorganisation, the registered capital of Yixing Zhicheng of RMB16,667,000 was contributed by Mr. Jiang Jianqiang, Mr. Jiang Yixuan, Mr. Tong Huijian, Mr. Lai Chau Yung and Ms. Feng Mei, who are the ultimate shareholders of the Group.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
OPERATING ACTIVITIES					
Profit before tax	89,040	171,549	308,233	200,382	251,552
Adjustments for:					
Finance costs	7,599	7,778	8,506	5,900	–
Interest income	(1,221)	(1,547)	(3,209)	(1,960)	(867)
Depreciation of property, plant and equipment	1,704	2,164	2,213	1,166	948
Loss on disposal of property, plant and equipment	–	35	517	38	72
Operating cash flows before movements in working capital	97,122	179,979	316,260	205,526	251,705
(Increase) decrease in amounts due from customers for contract work	(22,150)	28,406	7,233	(10,319)	2,495
Increase in trade and bills receivables	(92,408)	(19,352)	(38,085)	(192,446)	(130,246)
Decrease (increase) in other receivables, deposits and prepayments	7,033	(32)	(3,318)	(2,878)	(3,540)
Increase (decrease) in amounts due to customers for contract work	–	211	8,297	4,301	(1,474)
Increase (decrease) in trade and bills payables	18,217	36,982	(96,529)	71,310	111,254
Increase (decrease) in other payables and accruals	2,219	9,112	53,016	25,615	(12,493)
Cash generated from operations	10,033	235,306	246,874	101,109	217,701
PRC income tax paid	(21,304)	(41,150)	(82,025)	(14,945)	(27,766)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(11,271)	194,156	164,849	86,164	189,935

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
INVESTING ACTIVITIES					
Interest received	1,221	1,547	3,209	1,960	867
Purchase of property, plant and equipment	(3,061)	(3,927)	(700)	(276)	(4,452)
Deposits paid for acquisition of property, plant and equipment	(7,500)	(19,332)	–	–	–
Addition of prepaid lease payments	(2,639)	–	–	–	–
Proceeds from disposal of available-for-sale investments	300	–	–	–	–
Placement of pledged bank deposits	(60,500)	(98,110)	(25,000)	(25,000)	–
Withdrawal of pledged bank deposits	85,810	72,610	90,000	65,000	–
NET CASH FROM (USED IN) INVESTING ACTIVITIES	13,631	(47,212)	67,509	41,684	(3,585)
FINANCING ACTIVITIES					
Interest paid	(7,599)	(7,778)	(8,506)	(5,900)	–
Dividend paid	(9,000)	(17,600)	–	–	–
New bank borrowings raised	175,600	150,500	103,400	93,400	–
Repayment of bank borrowings	(219,200)	(96,500)	(240,900)	(65,500)	–
Bills payables under financing arrangement raised	25,000	–	–	–	–
Repayment of bills payables under financing arrangement	(30,000)	(10,000)	–	–	–
Advance from a director	495	902	12,063	4,178	5,232
Repayment to a director	(2,311)	(504)	–	–	–
Capital contribution from shareholders	–	–	16,667	–	–
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(67,015)	19,020	(117,276)	26,178	5,232
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(64,655)	165,964	115,082	154,026	191,582
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	112,655	48,000	213,964	213,964	329,046
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, REPRESENTED BY BANK BALANCES AND CASH	48,000	213,964	329,046	367,990	520,628

NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Prior to the Corporate Reorganisation, Site Holdings Pte. Ltd. ("Site Holdings"), the former immediate holding company of Jiangsu Saite entered into an equity transfer agreement with Modern Day, pursuant to which Site Holdings agreed to transfer its entire equity interests in Jiangsu Saite for a consideration of RMB50,000,000 to Modern Day. The issued share capital of Modern Day was one ordinary share of HK$1.00, which was owned by Site Holdings. Modern Day was set up as an investment vehicle for holding the equity interests in Jiangsu Saite.

Pursuant to the Corporate Reorganisation, which was completed by interspersing the Company, Saite Overseas, Saite (HK) and Yixing Zhicheng between the shareholders of the Group and Modern Day, which owned all the equity interest in the Group's major operating subsidiary, Jiangsu Saite, the Company became the holding company of the companies now comprising the Group on 28 December 2012. The Group comprising the Company and its subsidiaries resulting from the Corporate Reorganisation is regarded as a continuing entity.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Relevant Periods and the consolidated statements of financial position as at 31 December 2010 and 2011 are prepared as if the current group structure had been in existence throughout the Relevant Periods, or since the respective dates of incorporation or establishment of the relevant entity, where this is a shorter period.

The Financial Information is presented in Renminbi ("RMB"), which is the functional currency of the Company.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information of the Relevant Periods, the Group has consistently adopted all these new and revised HKFRSs which are effective for the Group's financial year beginning on 1 January 2013 throughout the Relevant Periods.

At the date of this report, the HKICPA has issued the following new and revised HKFRSs that are not yet effective. The Group has not early applied these new and revised HKFRSs.

Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
HKFRS 9	Financial Instruments[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK (IFRIC) – Int 21	Levies[1]

[1] *Effective for annual periods beginning on or after 1 January 2014.*

[2] *Effective for annual periods beginning on or after 1 January 2015.*

The directors of the Company anticipate that the application of these new and revised HKFRSs will have no material impact on the Group's financial performance and positions and/or on the disclosures to the financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business and net of discounts.

The Group's policy for recognition of revenue from construction contracts is described at the accounting policy below.

Sales of scrapped goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress as described below are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than construction in progress, less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress including property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognised in profit or loss.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any impairment loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statements of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Impairment of tangible assets

At the end of reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the tangible asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Construction contracts

When the outcome of a fixed price construction contract can be estimated reliably, revenue is recognised using the percentage of completion method, measured by reference to the value of work performed during the year/period. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred for work performed to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statements of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statements of financial position under trade receivables.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bill receivables, other receivables, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including trade and bills payables, other payables, bills payables under financing arrangement, amounts due to a director and former immediate holding company and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liability when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are recognised in profit or loss in the period in which they arise.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs "profit before tax" as reported in the consolidated statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years/periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Retirement benefits costs

Payments to state-managed retirement scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Construction contracts

The Group recognises the amount of attributable profit or foreseeable losses from construction contracts based on the latest available budgets of those construction contracts with reference to the overall performance of each construction contract which requires management's best estimates and judgements. Construction revenue is estimated in accordance with the terms set out in the relevant contracts. Construction costs which mainly comprise installation costs and costs of materials are estimated by the management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the experience of the management. Because of the nature of the construction industry, the management regularly reviews the progress of the contracts and the estimated construction revenue and construction costs. Any change in the estimates of construction revenue or construction cost will affect the amount of foreseeable losses, or attributable profits recognised in the profit or loss prospectively in each reporting period using the percentage of completion method.

Estimated impairment of trade and bills receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2010, 2011 and 2012 and 30 June 2013, the carrying amounts of trade and bills receivables were RMB171,688,000, RMB191,040,000, RMB229,125,000 and RMB359,371,000 respectively as disclosed in note 22.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debts, which includes borrowings disclosed in notes 27 and 30, amount due to a director disclosed in note 28, amount due to former immediate holding company disclosed in note 29, net of cash and cash equivalents and equity attributable to owners of the Company, comprising paid-in/share capital, reserves and retained profits.

The directors of the Company review the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through the payment of dividends, new shares issue and share buy-back as well as the issue of new debts or redemption of existing debt.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	At 31 December			At 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables (including cash and cash equivalents)	259,341	470,019	558,182	880,004
Financial liabilities				
Amortised cost	192,544	323,528	51,278	167,764

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, other receivables, pledged bank deposits, bank balances, trade and bills payables, other payables, bills payables under financing arrangement, amounts due to a director and former immediate holding company and bank borrowings.

Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Certain transactions, bank balances and amount due to a director are denominated in Hong Kong Dollar ("HK$") which is different from the functional currency of the group entities, i.e. RMB, and therefore the Group is exposed to currency risk. The carrying amounts of bank balances and amount due to a director denominated in HK$ at the end of each reporting period are as follows:

	At 31 December			At 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank balances	–	–	55	55
Amount due to a director	–	–	12,558	17,790

The Group currently does not use any derivative contracts to hedge against its exposure to currency risk. The management manages its foreign currency risk by monitoring the movement of the foreign currency rate and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against HK$. A 5% sensitivity rate represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rate. A positive number below indicates an increase in profit where RMB strengthen 5% against HK$. For a 5% weakening of RMB against HK$, there would be an equal and opposite impact on the profit for the year/period.

	Year ended 31 December			Six months ended 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Profit for the year/period	–	–	625	886

In management's opinion, the sensitivity analysis is unrepresentative of the foreign currency risk inherent as the year/period end exposure does not reflect the exposure during the relevant year/period.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposits (see note 24), fixed-rate bills payables under financing arrangement (see note 27) and fixed-rate bank borrowings (see note 30). In addition, the Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see note 30) and bank balances. The Group does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the interest rates quoted by the People's Bank of China arising from the Group's bank borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowings and bank balances at the end of each reporting period.

The analysis is prepared assuming the variable-rate bank borrowings and bank balances outstanding at the end of the reporting period were outstanding for the whole year/period. A 50 basis point increase or decrease for variable-rate bank borrowings and a 25 basis point increase or decrease for bank balances represent management's assessment of the reasonably possible change in interest rates.

If interest rates on bank borrowings had been 50 basis points higher and bank balances had been 25 basis points higher and all other variables were held constant, a positive number below indicates an increase in profit for the year/period.

	Year ended 31 December			Six months ended 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
(Decrease) increase in profit for the year/period	(13)	43	617	488

If interest rates on bank borrowings had been 50 basis points lower and bank balances had been 25 basis points lower and all other variables were held constant, there would have been equal but opposite impact on the profit for the year/period.

In management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk as the year/period end exposure does not reflect the exposure during the relevant year/period.

Credit risk

At the end of reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the management reviews the recoverable amount of each individual trade and bills receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management considers that the credit risk of the Group is significantly reduced.

The credit risk of the Group is concentrated on trade and bills receivables from the Group's five largest customers at 31 December 2010, 2011 and 2012 and 30 June 2013 amounting to RMB59,685,000, RMB64,121,000, RMB145,600,000 and RMB139,882,000, respectively, and accounted for 35%, 34%, 64% and 39% of the Group's total trade and bills receivables. These five largest customers include state-owned enterprises and private limited companies registered and operated in the PRC. They are mainly the main contractors of construction projects. In order to minimise the credit risk, the management continuously monitors the level of exposure by frequent review of the credit evaluation of the financial condition and credit quality of its customers to ensure that prompt actions will be taken to lower exposure.

The management of the Group considers that the credit risk on liquid funds is low and there is no significant concentration of credit risk. The counterparties are banks with good reputation.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management also monitors the utilisation of bank borrowings.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from current interest rate at the end of each reporting period.

	Weighted average effective interest rate	On demand or less than 3 months	3 – 6 months	6 months – 1 year	1 – 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2010							
Trade and bills payables	–	69,035	26,004	3,188	–	98,227	98,227
Other payables	–	648	–	72	–	720	720
Bills payables under financing arrangement	–	–	10,000	–	–	10,000	10,000
Amount due to a director	–	97	–	–	–	97	97
Bank borrowings							
– fixed rate	6.17	19,464	27,977	10,308	–	57,749	56,000
– variable rate	6.08	7,918	10,304	10,304	–	28,526	27,500
		97,162	74,285	23,872	–	195,319	192,544
As at 31 December 2011							
Trade and bills payables	–	56,152	78,000	287	770	135,209	135,209
Other payables	–	324	–	–	–	324	324
Amount due to a director	–	495	–	–	–	495	495
Amount due to former immediate holding company	–	50,000	–	–	–	50,000	50,000
Bank borrowings							
– fixed rate	8.26	5,467	18,172	20,826	–	44,465	42,000
– variable rate	7.08	33,191	11,133	55,911	–	100,235	95,500
		145,629	107,305	77,024	770	330,728	323,528
As at 31 December 2012							
Trade payables	–	31,468	775	6,384	53	38,680	38,680
Other payables	–	40	–	–	–	40	40
Amount due to a director	–	12,558	–	–	–	12,558	12,558
		44,066	775	6,384	53	51,278	51,278
As at 30 June 2013							
Trade payables	–	143,307	1,050	3,813	1,764	149,934	149,934
Other payables	–	40	–	–	–	40	40
Amount due to a director	–	17,790	–	–	–	17,790	17,790
		161,137	1,050	3,813	1,764	167,764	167,764

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to changes if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

c. Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. REVENUE

Revenue represents the revenue arising on construction contracts.

8. SEGMENT INFORMATION

The Group's operating activities are attributable to the operating and reportable segments focusing on the construction of steel structure and prefabricated construction projects. These operating and reportable segments have been identified on the basis of internal management reports that are regularly reviewed by the executive directors of the Company which are the chief operating decision maker 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, the revenue and gross margin of each construction contract with similar economic characteristics has been aggregated into a single operating segment. The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. 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. Amounts of segment assets and liabilities of the Group are not reviewed by the CODM.

Entity-wide information

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

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Construction of					
– Steel structure projects	406,904	518,029	812,614	544,929	549,650
– Prefabricated construction projects *(note)*	–	128,789	235,464	128,471	265,631
	406,904	646,818	1,048,078	673,400	815,281

Note: The Group started to undertake prefabricated construction projects during the year ended 31 December 2011.

Geographical information

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

Information about major customers

Revenues from customers contributing over 10% of the total revenue of the Group during the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Customer A[1]	50,654	–	–	–	–
Customer B[1]	68,564	–	*	*	*
Customer C[2]	–	101,202	131,262	*	191,255
Customer D[1]	–	–	160,385	120,288	–
Customer E[1]	–	–	130,564	71,282	–
Customer F[1]	–	*	*	*	111,966

1 *Revenue from construction of steel structure projects.*

2 *Revenue from construction of prefabricated construction projects.*

* *The corresponding revenue did not contribute over 10% of the total revenue of the Group for the relevant year/period.*

9. OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest income on bank deposits	1,221	1,547	3,209	1,960	867
Sales of scrapped materials	2,556	2,497	4,606	–	1,760
Exchange gain	–	–	178	–	–
Others	11	–	–	–	–
	3,788	4,044	7,993	1,960	2,627

10. OTHER EXPENSES

The amount represents professional fees and other expenses related to the preparation for listing of the shares of the Company. The transaction costs of an equity transaction are to be accounted for as a deduction from equity to the extent they are directly attributable to the issuing of new shares. The remaining costs are recognised as an expense when incurred.

11. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on bank loans wholly repayable within five years	7,258	7,636	8,506	5,900	–
Interest on bills financing arrangement *(note 27)*	341	142	–	–	–
	7,599	7,778	8,506	5,900	–

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Details of the emoluments paid and payable to each of the directors and the chief executive of the Company for the Relevant Periods are as follows:

	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2010				
Mr. Jiang Jianqiang	–	96	10	106
Mr. Shao Xiaoqiang	–	78	8	86
Mr. Wu Yimin	–	54	6	60
Mr. Xu Jiaming *(note)*	–	–	–	–
Mr. Chen Tiegang *(note)*	–	–	–	–
Mr. Ma Chun Fung Horace *(note)*	–	–	–	–
	–	228	24	252
For the year ended 31 December 2011				
Mr. Jiang Jianqiang	–	96	13	109
Mr. Shao Xiaoqiang	–	78	13	91
Mr. Wu Yimin	–	60	9	69
Mr. Xu Jiaming *(note)*	–	–	–	–
Mr. Chen Tiegang *(note)*	–	–	–	–
Mr. Ma Chun Fung Horace *(note)*	–	–	–	–
	–	234	35	269
For the year ended 31 December 2012				
Mr. Jiang Jianqiang	–	108	13	121
Mr. Shao Xiaoqiang	–	90	13	103
Mr. Wu Yimin	–	72	9	81
Mr. Xu Jiaming *(note)*	–	–	–	–
Mr. Chen Tiegang *(note)*	–	–	–	–
Mr. Ma Chun Fung Horace *(note)*	–	–	–	–
	–	270	35	305
For the six months ended 30 June 2012 (unaudited)				
Mr. Jiang Jianqiang	–	54	6	60
Mr. Shao Xiaoqiang	–	45	6	51
Mr. Wu Yimin	–	36	4	40
Mr. Xu Jiaming *(note)*	–	–	–	–
Mr. Chen Tiegang *(note)*	–	–	–	–
Mr. Ma Chun Fung Horace *(note)*	–	–	–	–
	–	135	16	151

	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the six months ended 30 June 2013				
Mr. Jiang Jianqiang	–	72	6	78
Mr. Shao Xiaoqiang	–	57	6	63
Mr. Wu Yimin	–	48	4	52
Mr. Xu Jiaming *(note)*	–	–	–	–
Mr. Chen Tiegang *(note)*	–	–	–	–
Mr. Ma Chun Fung Horace *(note)*	–	–	–	–
	–	177	16	193

Note: No remuneration was paid or payable to the independent non-executive directors because they were neither the directors nor employees of the Group during the Relevant Periods.

Mr. Shao Xiaoqiang is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

None of the directors waived any emoluments during the Relevant Periods. No emolument was paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three, two, two, two (unaudited) and three were directors and the chief executive of the Company for each of the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013 respectively. Details of whose emolument are included in the disclosures above. The emoluments of the remaining two, three, three, three (unaudited) and two highest paid individuals for each of the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013 respectively, which were individually less than RMB804,000 (equivalent HK$1,000,000) were as follows:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other benefits	132	222	714	328	317
Retirement benefits scheme contributions	–	22	23	11	4
	132	244	737	339	321

During the Relevant Periods, no emolument was paid by the Group to any of the remaining highest paid individuals in the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

14. INCOME TAX EXPENSE

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current tax:					
PRC Enterprise Income Tax	22,623	43,644	81,041	51,516	65,798
Deferred tax *(note 31)*:					
Current year/period	5,135	9,943	23,365	15,354	19,401
	27,758	53,587	104,406	66,870	85,199

Provision for the PRC Enterprise Income Tax for the Relevant Periods was made based on the estimated assessable profits calculated in accordance with the relevant income tax laws and regulations applicable to the subsidiaries operated in the PRC.

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 during the Relevant Periods.

The income tax expense for the year/period can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before tax	89,040	171,549	308,233	200,382	251,552
Tax at the PRC Enterprise Income Tax rate of 25%	22,260	42,887	77,058	50,096	62,888
Tax effect of expenses not deductible for tax purpose	288	397	3,978	1,420	3,018
Deferred tax on undistributed earnings of a PRC subsidiary	5,135	9,943	23,365	15,354	19,401
Others	75	360	5	–	(108)
Income tax expense for the year/period	27,758	53,587	104,406	66,870	85,199

15. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit and total comprehensive income for the year/period has been arrived at after charging:					
Auditor's remuneration	10	42	52	–	–
Depreciation of property, plant and equipment	4,347	4,992	5,131	2,564	2,376
Less: amounts capitalised in contract work in progress	(2,643)	(2,828)	(2,918)	(1,398)	(1,412)
Less: amounts capitalised in construction in progress	–	–	–	–	(16)
	1,704	2,164	2,213	1,166	948
Amortisation of prepaid lease payments capitalised in contract work in progress	339	339	339	169	169
Staff costs (including directors' emoluments)					
Salaries and other benefits	10,909	15,806	23,662	12,810	18,297
Retirement benefits scheme contributions	1,528	2,519	2,820	1,382	1,473
Less: amounts capitalised in contract work in progress	(10,042)	(15,169)	(21,644)	(11,881)	(16,918)
Less: amounts capitalised in construction in progress	–	–	–	–	(85)
	2,395	3,156	4,838	2,311	2,767
Operating lease rentals in respect of:					
Plant and machinery	–	960	960	480	480
Premises	–	3,300	3,300	1,650	1,803
	–	4,260	4,260	2,130	2,283
Less: amounts capitalised in contracts work in progress	–	(4,260)	(4,260)	(2,130)	(2,130)
	–	–	–	–	153
Research and development cost recognised as an expense	–	600	600	300	300
Loss on disposal of property, plant and equipment	–	35	517	38	72
Contract work in progress recognised as expense	299,187	447,419	695,848	446,964	534,905

16. DISTRIBUTION

During each of the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, Jiangsu Saite distributed dividend of RMB9,000,000, RMB17,600,000, nil, nil (unaudited) and nil respectively to its then shareholder. The rates of distribution are not presented as such information is not meaningful for the purpose of this report.

No dividend has been paid or declared by the Company since its incorporation.

17. EARNINGS PER SHARE

The calculations of the basic earnings per share for the Relevant Periods are based on the profit for each of the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013 of RMB61,282,000, RMB117,962,000, RMB203,827,000, RMB133,512,000 (unaudited) and RMB166,353,000 respectively and on the basis of 1,200,000,000 ordinary shares issued pursuant to the Corporate Reorganisation and capitalisation issue that are deemed to have become effective on 1 January 2010.

No dilutive earnings per share is presented because there were no potential ordinary shares in issue during the Relevant Periods.

18. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Buildings and structures	Plant and machinery	Motor vehicles	Office equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST						
At 1 January 2010	4,829	30,707	17,375	3,229	1,977	58,117
Additions	956	–	1,425	1,281	119	3,781
Transfer	(5,065)	5,065	–	–	–	–
At 31 December 2010	720	35,772	18,800	4,510	2,096	61,898
Additions	–	–	1,176	1,939	236	3,351
Disposals	–	–	(422)	(287)	(6)	(715)
Transfer	(720)	720	–	–	–	–
At 31 December 2011	–	36,492	19,554	6,162	2,326	64,534
Additions	–	–	443	6	107	556
Disposals	–	(561)	(1,176)	(574)	(1,367)	(3,678)
At 31 December 2012	–	35,931	18,821	5,594	1,066	61,412
Additions	4,009	–	421	–	38	4,468
Disposals	–	–	(1,085)	(249)	(102)	(1,436)
At 30 June 2013	4,009	35,931	18,157	5,345	1,002	64,444
ACCUMULATED DEPRECIATION						
At 1 January 2010	–	4,344	5,179	1,293	737	11,553
Provided for the year	–	1,679	1,699	584	385	4,347
At 31 December 2010	–	6,023	6,878	1,877	1,122	15,900
Provided for the year	–	1,725	1,857	984	426	4,992
Eliminated upon disposals	–	–	(402)	(272)	(6)	(680)
At 31 December 2011	–	7,748	8,333	2,589	1,542	20,212
Provided for the year	–	1,733	1,966	1,091	341	5,131
Eliminated upon disposals	–	(201)	(1,117)	(545)	(1,298)	(3,161)
At 31 December 2012	–	9,280	9,182	3,135	585	22,182
Provided for the period	–	853	975	448	100	2,376
Eliminated upon disposals	–	–	(1,030)	(237)	(97)	(1,364)
At 30 June 2013	–	10,133	9,127	3,346	588	23,194
CARRYING VALUES						
At 31 December 2010	720	29,749	11,922	2,633	974	45,998
At 31 December 2011	–	28,744	11,221	3,573	784	44,322
At 31 December 2012	–	26,651	9,639	2,459	481	39,230
At 30 June 2013	4,009	25,798	9,030	1,999	414	41,250

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis over their estimated useful lives and after taking into account of their estimated residual values, at the following rates per annum:

Buildings and structures	5%
Plant and machinery	10%
Office equipment	5% – 19%
Motor vehicles	10% – 19%

The Group's buildings are situated on leasehold land in the PRC under medium term leases.

At 31 December 2010, 2011 and 2012 and 30 June 2013, the Group has pledged certain of its buildings with aggregate carrying values of RMB11,507,000, RMB10,895,000, nil and nil, respectively, to secure general banking facilities granted to the Group.

At 31 December 2010, 2011 and 2012 and 30 June 2013, the Group has pledged certain of its plant and machinery with aggregate carrying values of RMB7,118,000, RMB5,984,000, nil and nil, respectively, to secure general banking facilities granted to the Group.

19. PREPAID LEASE PAYMENTS

		At 31 December		**At 30 June**
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The carrying value of land comprises:				
Leasehold land in the PRC under medium-term lease	15,727	15,388	15,049	14,880
Analysed for reporting purposes as:				
Non-current asset	15,388	15,049	14,710	14,541
Current asset	339	339	339	339
	15,727	15,388	15,049	14,880

At 31 December 2010, 2011 and 2012 and 30 June 2013, the Group has pledged its prepaid lease payments with carrying values of RMB7,786,000, RMB7,618,000, nil and nil respectively, to secure general banking facilities granted to the Group.

20. DEPOSITS PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2010, the Group entered into an agreement to acquire one property for office use in the PRC with total consideration of RMB26,832,000. The property was under construction when the agreement was entered and the construction was completed in December 2012. The property had not been delivered to the Group by the developer as at 30 June 2013. Therefore, deposits of RMB7,500,000, RMB26,832,000, RMB26,832,200 and RMB26,832,000 paid by the Group as at 31 December 2010, 2011 and 2012 and 30 June 2013 were recognised as deposits paid for acquisition of property, plant and equipment.

Subsequently, the legal title of the relevant property was obtained by the Group.

21. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	At 31 December			At 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracts in progress at the end of the reporting periods:				
Contract costs incurred	338,765	470,611	768,299	655,660
Recognised profits less recognised losses	108,788	203,723	399,488	346,519
	447,553	674,334	1,167,787	1,002,179
Less: progress billings	(415,688)	(667,919)	(1,173,645)	(1,007,477)
	31,865	6,415	(5,858)	(5,298)
Analysed for reporting purposes as:				
Amounts due from contract customers	31,865	6,558	2,414	934
Amounts due to contract customers	–	(143)	(8,272)	(6,232)
	31,865	6,415	(5,858)	(5,298)

As at 31 December 2010, 2011 and 2012 and 30 June 2013, retention held by customers for contract work amounting to RMB47,596,000, RMB70,165,000, RMB161,183,000 and RMB199,328,000 have been included in trade and bills receivables under current assets. Advances received from customers amounting to nil, RMB189,000, RMB52,472,000 and RMB11,340,000 for contract work not yet commenced at 31 December 2010, 2011 and 2012 and 30 June 2013 have been included in other payables and accruals under current liabilities.

22. TRADE AND BILLS RECEIVABLES

	At 31 December			At 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	167,988	188,540	229,125	359,371
Bills receivables	3,700	2,500	–	–
	171,688	191,040	229,125	359,371

The trade receivables arising from construction contracts are billed and receivable in accordance with terms of the relevant agreements. Payments are typically made based on either the milestone events stipulated in the construction contracts or the actual progress of the work performed. The following is an aged analysis of trade and bills receivables, net of allowance for doubtful debts, presented based on the date of progress billing at the end of the reporting period.

	At 31 December			At 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
0 – 30 days	11,745	27,736	41,152	126,386
31 – 90 days	40,428	33,283	22,290	33,657
91 – 180 days	19,697	18,389	4,500	–
181 days – 1 year	20,197	6,169	–	–
Over 1 year	28,325	32,798	–	–
	120,392	118,375	67,942	160,043
Retention receivables	47,596	70,165	161,183	199,328
	167,988	188,540	229,125	359,371
Bills receivables				
0 – 30 days	–	1,000	–	–
31 – 90 days	1,000	1,500	–	–
91 – 180 days	2,700	–	–	–
	3,700	2,500	–	–
	171,688	191,040	229,125	359,371
Retention receivables				
Past due or due within 1 year	39,096	69,361	65,155	105,628
Due after 1 year	8,500	804	96,028	93,700
	47,596	70,165	161,183	199,328

Retention receivables are interest-free and recoverable at the end of the retention period of individual construction contracts ranging from 1 to 3 years.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Management of the Group is of the opinion that the credit quality of the trade and bills receivables balances that are neither past due nor impaired at the end of the reporting period is of goods quality.

Included in the Group's trade receivables are debtors with aggregate carrying amount of RMB134,716,000, RMB134,048,000, RMB4,820,000 and RMB34,330,000 as at 31 December 2010, 2011 and 2012 and 30 June 2013 respectively, which are past due as at the end of the reporting period for which the Group has not provided for impairment loss.

Ageing of trade receivables which are past due but not impaired:

	At 31 December			At 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 30 days	11,745	24,045	4,020	29,059
31 – 90 days	40,428	33,283	800	5,271
91 – 180 days	19,697	18,389	–	–
181 days – 1 year	20,197	6,169	–	–
Over 1 year	42,649	52,162	–	–
	134,716	134,048	4,820	34,330

The Group has not provided allowance for doubtful debts for the trade receivables which are past due but not impaired because the directors of the Company consider that those receivables are recoverable whereby the customers has made continuous repayments. The Group does not hold any collateral over these balances.

As at 31 December 2010 and 2011, the Group endorsed certain bills receivables of RMB3,700,000 and RMB2,500,000 respectively to suppliers to exchange for goods from those suppliers and transferred the contractual rights to receive cash flows from those bills receivables to the respective supplier on a full recourse basis. Therefore, the directors of the Company considered the Group retained substantially all of the risk and rewards of ownership of the bills receivables and continued to recognise the bills receivables and the associated trade payables. The carrying amount of associated trade payables amounted to RMB3,700,000 and RMB2,500,000 at 31 December 2010 and 2011 respectively.

23. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 31 December			At 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables	153	15	11	5
Deposits paid	250	375	375	793
Prepayments	301	346	3,668	6,796
	704	736	4,054	7,594

Included in the prepayments as at 31 December 2012 and 30 June 2013 are transactions costs of RMB3,276,000 and RMB6,643,000 directly attributable to the proposed issue of new shares. The amount will be accounted for as a deduction from equity upon the Listing.

24. PLEDGED BANK DEPOSITS/BANK BALANCES

Bank balances carry interest at prevailing market rates of 0.36%, 0.5%, 0.35% and 0.35% per annum as at 31 December 2010, 2011 and 2012 and 30 June 2013, respectively.

The pledged bank deposits, which were pledged to banks to secure the issuance of bill payables, carried interest at fixed rate of 1.98% to 2.20% and 3.25% to 3.34% per annum as at 31 December 2010 and 2011 respectively.

25. TRADE AND BILLS PAYABLES

	At 31 December			At 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	48,227	29,209	38,680	149,934
Bills payables	50,000	106,000	–	–
	98,227	135,209	38,680	149,934

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

	At 31 December			At 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables				
0 – 30 days	19,313	22,928	26,635	133,553
31 – 90 days	12,667	4,451	3,978	4,416
91 – 180 days	11,280	731	425	76
181 days – 1 year	1,098	42	–	–
Over 1 year	626	–	66	–
	44,984	28,152	31,104	138,045
Retention payables	3,243	1,057	7,576	11,889
	48,227	29,209	38,680	149,934
Bills payables				
0 – 30 days	10,000	–	–	–
31 – 90 days	15,000	76,000	–	–
91 – 180 days	25,000	30,000	–	–
	50,000	106,000	–	–
	98,227	135,209	38,680	149,934
Retention payables				
Due within 1 year	3,243	287	7,523	10,125
Due after 1 year	–	770	53	1,764
	3,243	1,057	7,576	11,889

At the end of the reporting period, the following parties jointly provided guarantee to the bills payables of the Group with guaranteed amount of:

	At 31 December			At 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
A director of the Company, a close family member of a director and an independent third party	15,000	20,000	–	–
A director of the Company and independent third parties	30,000	20,000	–	–
An independent third party	–	35,000	–	–

26. OTHER PAYABLES AND ACCRUALS

	At 31 December			At 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payables for acquisition of property, plant and equipment	720	144	–	–
Accrued wages and staff benefits	6,912	8,161	9,045	10,454
Other accrued expenses	–	362	3,486	13,451
Advance from customers for contract work	–	189	52,472	11,340
Other tax payables	1,987	9,119	5,984	23,249
Other payables	–	180	40	40
	9,619	18,155	71,027	58,534

27. BILLS PAYABLES UNDER FINANCING ARRANGEMENT

During the year ended 31 December 2010, Jiangsu Saite and one of its suppliers, being an independent third party not related to the Group (the "Supplier"), entered into financing arrangements with certain PRC commercial banks. Under these arrangements, Jiangsu Saite instructed the relevant banks to issue bank acceptance notes to the Supplier at certain face amounts with bank deposits pledged by the Group ranged from 50% to 100% of the face amount of bank acceptance notes. These bank acceptance notes were used by the Supplier to present to other financial institutions or agents for discounting and then remitted the proceeds from bills discounting back to Jiangsu Saite. During the year ended 31 December 2010, bank acceptance notes of total amount in aggregate of RMB25,000,000, were issued to the Supplier under these financing arrangements.

At 31 December 2010, there were bank deposits of RMB7,000,000, that were pledged to these PRC commercial banks for these financing arrangements.

At 31 December 2010, the above bank acceptance notes issued while remained outstanding carry interest rate of 5.12% per annum. These related interest expenses of RMB341,000 and RMB142,000 were incurred and recognised as finance costs by Jiangsu Saite for each of the years ended 31 December 2010 and 2011 respectively. The Group ceased to issue bank acceptance notes for such financing activities since November 2010.

Jiangsu Saite has ceased the above financing arrangement effective from April 2011 when all the related bank acceptance notes were settled. No related finance costs were incurred during the period since then to 30 June 2013.

28. AMOUNT DUE TO A DIRECTOR

The amount due to a director represented amount due to Mr. Jiang Jianqiang which was unsecured, interest-free and repayable on demand.

As represented by the directors of the Company, the amount will be settled upon the Listing.

29. AMOUNT DUE TO FORMER IMMEDIATE HOLDING COMPANY

At 31 December 2011, the amount due to former immediate holding company represented the consideration payable of RMB50,000,000 to Site Holdings for the acquisition of Jiangsu Saite by Modern Day as set out in note 32(b).

The amount due to former immediate holding company was unsecured, interest-free and repayable on demand.

Pursuant to written resolution of the sole director of Modern Day passed on 29 June 2012, the amount due to Site Holdings of RMB50,000,000 was capitalised by Modern Day by the issue and allotment of one share of HK$1.00 in Modern Day to Site Holdings.

30. BANK BORROWINGS

		At 31 December			At 30 June
		2010	2011	2012	2013
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured and guaranteed by:					
– directors of the Company and father of a director of the Company	*(note a)*	12,000	12,000	–	–
– independent third parties	*(note b)*	7,500	7,500	–	–
		19,500	19,500	–	–
Unsecured and guaranteed by:					
– a director of the Company, a close family member of a director and independent third parties		24,000	43,000	–	–
– a director of the Company and independent third parties		40,000	75,000	–	–
		64,000	118,000	–	–
		83,500	137,500	–	–
The bank borrowings comprise:					
Fixed-rate borrowings		56,000	42,000	–	–
Variable-rate borrowings		27,500	95,500	–	–
		83,500	137,500	–	–

Notes:

(a) The bank borrowings were secured by certain buildings, machinery and prepaid lease payment owned by the Group as set out in notes 18 and 19, respectively.

(b) The bank borrowings were also secured by certain building and prepaid lease payment owned by an independent third party.

The guarantees provided to the Group as at 31 December 2011 were released upon the repayment of the bank borrowings during the year ended 31 December 2012.

All bank borrowings as at 31 December 2010 and 2011 were due within one year and shown under current liabilities.

At 31 December 2010 and 2011, the variable-rate bank borrowings carried interest rates quoted by the People's Bank of China plus a premium. The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	At 31 December			At 30 June
	2010	**2011**	**2012**	**2013**
Effective interest rate:				
Fixed-rate borrowings	4.78% to 7.29%	7.57% to 9.15%	–	–
Variable-rate borrowings	5.63% to 6.78%	5.23% to 8.86%	–	–

31. DEFERRED TAX LIABILITY

	Withholding tax on undistributed earnings *RMB'000*
At 1 January 2010	4,230
Charge for the year	5,135
At 31 December 2010	9,365
Charge for the year	9,943
At 31 December 2011	19,308
Charge for the year	23,365
At 31 December 2012	42,673
Charge for the period	19,401
At 30 June 2013	62,074

According to a joint circular of the Ministry of Finance and State Administration of Taxation – Cai Shui 2008 No. 1, dividend distributed out of the profits generated by subsidiaries established in the PRC to "non PRC-resident" investors since 1 January 2008 shall be subject to PRC Enterprise Income Tax and tax payment to be withheld by the PRC entity pursuant to Articles 3 and 27 of the Income Tax Law Concerning Foreign Investment Enterprises and Foreign Enterprises and Article 91 of the Detailed Rules for the Implementation of the Income Tax Law for Enterprises with Foreign Investment Enterprises and Foreign Enterprises. Deferred tax charge of RMB5,135,000, RMB9,943,000, RMB23,365,000, RMB15,354,000 (unaudited) and RMB19,401,000 on undistributed earnings has been recognised in the consolidated statements of profit or loss and other comprehensive income for each of the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, respectively.

32. PAID-IN/SHARE CAPITAL

(a) Paid-in capital in the consolidated statements of financial position as at 1 January 2010 and 31 December 2010 represented the fully paid registered capital of Jiangsu Saite of RMB50,000,000.

(b) On 8 August 2011, Site Holdings, the former immediate holding company of Jiangsu Saite entered into an equity transfer agreement with Modern Day, pursuant to which Site Holdings agreed to transfer its entire equity interests in Jiangsu Saite to Modern Day for a consideration of RMB50,000,000. The issued share capital of Modern Day was one ordinary share of HK$1.00, which was owned by Site Holdings. Modern Day was set up as an investment vehicle for holding the equity interests in Jiangsu Saite. Other than holding the equity interests in Jiangsu Saite, Modern Day does not carry on any business since its incorporation. The transfer of equity interests was completed upon approval from the relevant PRC regulatory authorities on 22 August 2011.

Share capital in the consolidated statements of financial position as at 31 December 2011 represented the issued and paid-up share capital of Modern Day comprising one ordinary share of HK$1.00.

(c) Share capital in the consolidated statements of financial position as at 31 December 2012 and 30 June 2013 represented the issued share capital of the Company comprising 1,000,000 ordinary shares of HK$0.10 each.

	Number of shares	Amount in *HK$*	Shown in the consolidated and Company's statements of financial position *RMB'000*
The Company			
Ordinary shares at HK$0.10 each Authorised:			
At date of incorporation and at 31 December 2012 and 30 June 2013	3,800,000	380,000	
Ordinary shares at HK$0.10 each Issued and fully paid:			
At date of incorporation	1	–	–
Issue of shares pursuant to the Corporation Reorganisation	999,999	100,000	80
At 31 December 2012 and 30 June 2013	1,000,000	100,000	80

On 31 July 2012, the Company was incorporated in the Cayman Islands with an authorised share capital of HK$380,000 divided into 3,800,000 ordinary shares of HK$0.10 each. Upon incorporation, one ordinary share was allotted and issued, nil paid, to the subscriber which was transferred to Keen Luck Group Limited ("Keen Luck") on the same day.

Pursuant to an equity transfer agreement on 28 December 2012 entered into between Site Holdings and Saite Overseas, Site Holdings agreed to transfer its holding of the entire equity interest in Modern Day to Saite Overseas, being two shares of HK$1.00 each, in consideration of and in exchange for which the Company (i) credited as fully paid at par the one nil paid issued share held by Keen Luck, the immediate and ultimate holding company of the Company; and (ii) allotted and issued 999,999 new shares credited as fully paid to Keen Luck. This share transfer was completed on 28 December 2012 and the Company became the holding company of the Group.

33. MAJOR NON-CASH TRANSACTION

The Group's major non-cash transactions are disclosed in notes 29 and 32(c) above.

34. RETIREMENT BENEFITS SCHEMES

The employees of the Company's subsidiaries established in the PRC are members of state-managed retirement benefits scheme operated by the PRC government. The subsidiaries are required to contribute a specific percentage of the total monthly basic salaries to the retirement benefits scheme. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

The Group made provision to the retirement benefits schemes of RMB1,528,000, RMB2,519,000, RMB2,820,000, RMB1,382,000 (unaudited) and RMB1,473,000 for each of the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013 respectively.

35. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises and plant and machinery which fall due as follows:

	At 31 December			At 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Plant and machinery				
Within one year	288	288	288	288
Premises				
Within one year	825	825	825	2,659
In the second to fifth year inclusive	–	–	–	1,834
	825	825	825	4,493

The leases of the Group are negotiated for terms ranging from two to three years.

36. CAPITAL COMMITMENTS

	At 31 December			At 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the Financial Information	19,332	–	–	–
Capital expenditure in respect of construction of property, plant and equipment authorised but not contracted for	–	–	3,619	–

37. RELATED PARTY TRANSACTIONS

Other than those disclosed in the preceding paragraphs and in notes 25, 28, 29 and 30 and 32, the Group entered into the following significant related party transactions during the Relevant Periods;

(a) As at 31 December 2010 and 2011, certain related parties provided guarantees to the banks to secure certain of the Group's bank borrowings and bills issued by the Group. Details are set out in notes 25 and 30.

(b) Mr. Jiang Jianqiang, Mr. Jiang Yixuan, Keen Luck and Champ Origin Limited have taken to fully indemnify the Group from any and all liabilities arising from the non-compliant bill financing arrangement disclosed in note 27 and other indemnities as more particularly set out in the section headed "Estate duty, tax and other indemnities" in Appendix V to the Prospectus. Mr. Jiang Yixuan is the son of Mr. Jiang Jianqiang. They collectively own the entire equity interest in Champ Origin Limited which has control over Keen Luck as at 30 June 2013.

Compensation of key management personnel

The remuneration of members of key management included the directors and senior management of the Company during the Relevant Periods and is set out as follows:

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Short-term benefits	270	360	990	460	540
Contributions to retirement benefit scheme	34	47	50	20	24
	304	407	1,040	480	564

B. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

As at 31 December 2012 and 30 June 2013, the Company's financial statements comprised of investment in a subsidiary, at cost, of RMB464,636,000, share capital of RMB80,000 and non-distributable capital reserve of RMB464,556,000.

C. IMMEDIATE AND ULTIMATE HOLDING COMPANY

At the date of this report, the directors of the Company consider that Keen Luck, a limited company incorporated in the BVI, to be the immediate and ultimate holding company of the Company.

D. DIRECTORS' REMUNERATION

Under the arrangement currently in force, the aggregate amount of remunerations of the directors of the Company paid or payable by the Company or any of its subsidiaries for the year ending 31 December 2013, excluding discretionary bonus, is estimated to be approximately RMB543,000.

E. SUBSEQUENT EVENTS

The following transactions took place subsequent to 30 June 2013:

(a) On 11 October 2013, written resolutions of all the shareholders of the Company were passed to approve the matters set out in the paragraph headed "Resolutions in writing of our Shareholders passed on 11 October 2013" in Appendix V of the Prospectus. It was resolved, among other things:

(i) the authorised share capital of the Company be increased from HK$380,000 to HK$500,000,000 by the creation of 4,996,200,000 new shares of HK$0.10 each;

(ii) conditionally adopted a share option scheme where eligible participants may be granted options entitling them to subscribe for the Company's shares. No share has been granted since the adoption of the scheme. The principal terms of the share option scheme are summarised in the section headed "Share Option Scheme" in Appendix V to the Prospectus; and

(iii) following the change in authorised share capital as referred to in paragraph (i) and conditional on the share premium account of the Company being credited as a result of the global offering, the directors of the Company were authorised to capitalise HK$119,900,000 standing to the credit of the share premium account of the Company by applying that sum in paying up in full at par 1,199,000,000 shares for allotment and issued to the holders of shares whose names appear on the register of members of the Company as at the close of business on 11 October 2013 in proportion to their then existing respective shareholdings in the Company and so that the shares be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the then existing issued shares and the directors were authorised to give effect to such capitalisation.

F. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 30 June 2013.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The information set out in this Appendix does not form part of the Accountants' Report on the financial information of the Group for the three years ended 31 December 2012 and the six months ended 30 June 2013 prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma financial information prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules is for illustrative purposes only, and is set out in this Appendix to illustrate the effect of the Global Offering on the adjusted consolidated net tangible assets of the Group as at 30 June 2013, as if they had taken place on such date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group have been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 30 June 2013 or any future date following the Global Offering. It is prepared based on the audited consolidated net tangible assets of the Group as at 30 June 2013 as set out in the Accountants' Report contained in Appendix I to this prospectus, and adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as of 30 June 2013	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as of 30 June 2013	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as of 30 June 2013 per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on an Offer Price of HK$1.03 per Share	630,989	300,891	931,880	0.58	0.73
Based on an Offer Price of HK$1.25 per Share	630,989	367,838	998,827	0.62	0.78

Notes:

1. The audited consolidated net tangible assets of the Group attributable to owners of the Company as of 30 June 2013 is based on the consolidated net assets of the Group attributable to owners of the Company as extracted from the Accountants' Report set out in Appendix I to this prospectus.

2. The estimated net proceeds from the Global Offering are based on 400,000,000 Shares to be issued at an indicative Offering Price of HK$1.03 or HK$1.25 per Share, respectively, after deduction of the estimated underwriting fees and other related expenses (excluding approximately RMB22.2 million listing expenses which has been accounted for prior to 30 June 2013) payable by the Group and without taking into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or upon the exercise of options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by the Company under the general mandates for the allotment and issue or repurchase of Shares granted to the Directors. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of RMB0.7966 to HK$1, which was the rate prevailing on 28 June 2013 as set by the People's Bank of China ("PBOC"). No representation is made that the Hong Kong dollar amount have been, could have been or may be converted into Renminbi, or vice versa, at that rate or at all.

3. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is arrived on the basis that a total of 1,600,000,000 Shares are expected to be in issue immediately after the Capitalisation Issue and the Global Offering, taking no account of any additional income the Group may have earned from the estimated net proceeds from the Global Offering and any Shares which may fall to be allotted and issued upon the exercise of the Over-allotment Option.

4. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is converted into Hong Kong dollars at an exchange rate of RMB0.7966 to HK$1, which was the rate prevailing on 28 June 2013 as set by the PBOC. No representation is made that the Hong Kong dollar amount have been, could have been or may be converted into Renminbi, or vise versa, at that rate or at all.

5. Except for the Capitalisation Issue, no adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group to reflect any trading results or other transactions which the Group entered into subsequent to 30 June 2013.

(B) UNAUDITED PRO FORMA FORECAST BASIC EARNINGS PER SHARE

The following unaudited pro forma forecast basic earnings per Share has been prepared in accordance with paragraph 29(8) of Chapter 4 of the Listing Rules and on the basis set out in the notes below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 January 2013. The unaudited pro forma forecast basic earnings per Share has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial results of the Group following the Global Offering or for any future periods.

Forecast consolidated profit attributable to owners of the Company for the year ending 31 December 2013(1)	Not less than RMB265.7 million (equivalent to approximately HK$333.5 million)(3)
Unaudited pro forma forecast basic earnings per Share attributable to owners of the Company for the year ending 31 December 2013(2)	Not less than RMB16.61 cents (equivalent to approximately HK20.85 cents)(3)

Notes:

1. The forecast consolidated profit attributable to the owners of the Company is extracted from the paragraph headed "Profit forecast for the year ending 31 December 2013" under the section headed "Financial information". The bases and assumptions on which the above profit forecast has been prepared are summarised in Appendix III to this prospectus.

   The forecast consolidated profit attributable to the owners of the Company for the year ending 31 December 2013 prepared by the Directors is based on the audited results of the Group for the six months ended 30 June 2013, the unaudited management accounts of the Group for the two months ended 31 August 2013 and a forecast of the results of the Group for the remaining four months ending 31 December 2013. The forecast has been prepared on the basis of the accounting policies consistent in all material respects with those currently adopted by the Group as summarised in the Accountants' Report set out in Appendix I to this prospectus.

2. The calculation of the unaudited pro forma forecast basic earnings per Share attributable to owners of the Company for the year ending 31 December 2013 is based on the forecast consolidated profit attributable to owners of the Company for the year ending 31 December 2013 and on the assumption that the Company has been listed since 1 January 2013 and that a total number of 1,600,000,000 Shares were in issue during the entire period, taking no account of any additional income the Group may have earned from the estimated net proceeds from the Global Offering and any Shares which may fall to be allotted and issued upon the exercise of the Over-allotment Option or upon the exercise of options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by the Company under the general mandates for the allotment and issue or repurchase.

3. The unaudited pro forma forecast basic earnings per Share and forecast consolidated profit are converted into Hong Kong dollars at an exchange rate of RMB0.7966 to HK$1, which was the rate prevailing on 28 June 2013 as set by the PBOC. No representation is made that the Hong Kong dollar amount have been, could have been or may be converted into Renminbi, or vice versa, at that rate or at all.

(C) REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants, of the Company, in respect of the Group's unaudited pro forma financial information for the purpose of incorporation in this prospectus.

Deloitte.
德勤

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF CHINA SAITE GROUP COMPANY LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Saite Group Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma statement of adjusted net tangible assets of the Group attributable to the owners of the Company as at 30 June 2013 and the pro forma forecast basic earnings per share attributable to owners of the Company for the year ending 31 December 2013 and related notes as set out on pages II-1 to II-3 of Appendix II to the prospectus issued by the Company dated 22 October 2013 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages II-1 to II-3 of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed global offering on the Group's financial position as at 30 June 2013 and the Group's earnings per share for the year ending 31 December 2013 as if the event or transaction had taken place at 30 June 2013 and 1 January 2013. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the three years ended 31 December 2012 and the six months ended 30 June 2013, on which an accountant's report set out in Appendix I to the Prospectus has been published and information about the Group's profit forecast for the year ending 31 December 2013 , on which no audit or review report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2013 or 1 January 2013 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 October 2013

The forecast of the consolidated profit of the Group for the year ending 31 December 2013 is set out in the paragraph headed "Profit forecast for the year ending 31 December 2013" in the section headed "Financial information" in this prospectus.

(A) BASES AND ASSUMPTIONS

The forecast of the consolidated profit of our Group for the year ending 31 December 2013 prepared by our Directors is based on the audited results of the Group for the six months ended 30 June 2013, the results shown in the unaudited management accounts of our Group for the two months ended 31 August 2013, and a forecast of the results of the Group for the remaining four months ending 31 December 2013. Our Directors are not aware of any extraordinary items which have arisen or are likely to arise during the year ending 31 December 2013. The forecast has been prepared on the basis of the accounting policies consistent in all material aspects with those currently adopted by our Group as summarised in the accountants' report, the text of which is set out in Appendix I to this prospectus and is based on the following principal assumptions:

(a) the existing political, legal, fiscal, economic or regulatory conditions in the PRC, which may have adverse effect on the business of our Group, would not have material changes;

(b) there will be no material changes in the bases or rates of taxation in countries in which our Group operates or in the countries in which our Company or our subsidiaries were incorporate; and

(c) there will be no material adverse changes in foreign exchange rates and interest rates from those currently prevailing.

The following is the text of letters received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the Company's reporting accountants, and from the Joint Sponsors in connection with the profit forecast prepared for the purpose of incorporation in this prospectus.

(B) LETTER FROM DELOITTE TOUCHE TOHMATSU

Deloitte.
德勤

德勤 • 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

22 October 2013

The Directors
China Saite Group Company Limited

DBS Asia Capital Limited
Kim Eng Securities (Hong Kong) Limited

Dear Sirs,

We have reviewed the accounting policies adopted and calculations made in arriving at the forecast of the consolidated profit of China Saite Group Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ending 31 December 2013 attributable to owners of the Company (the "Forecast"), for which the directors of the Company are solely responsible, as set out in the prospectus dated 22 October 2013 issued by the Company (the "Prospectus"). The Forecast is prepared based on the audited results of the Group for the six months ended 30 June 2013, the results shown in the unaudited management accounts of the Group for the two months ended 31 August 2013, and a forecast of the results of the Group for the remaining four months of the financial year ending 31 December 2013.

In our opinion the Forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the directors of the Company as set out in Section A of Appendix III to the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report on the financial information of the Group for the three years ended 31 December 2012 and the six months ended 30 June 2013 as set out in Appendix I to the Prospectus.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

(C) LETTER FROM THE JOINT SPONSORS

The following is a text of a letter prepared for inclusion in this prospectus by the Joint Sponsors in connection with the profit forecast for the year ending 31 December 2013.

DBS Asia Capital Limited **Kim Eng Securities (Hong Kong) Limited**

The Directors
China Saite Group Company Limited

22 October 2013

Dear Sirs,

We refer to the forecast of the consolidated profit attributable to the owners of China Saite Group Company Limited, (together with its subsidiaries, the "Group") for the year ending 31 December 2013 (the "Profit Forecast") as set out in the section headed "Profit forecast" for the year ending 31 December 2013 in the section headed "Financial information" in the prospectus of the Company dated 22 October 2013.

The Profit Forecast, for which the directors of the Company are solely responsible, has been prepared by them based on the audited results of the Group for the six months ended 30 June 2013, the results shown in the unaudited management accounts of the Group for the two months ended 31 August 2013, and a forecast of the results of the Group for the remaining four months ending 31 December 2013.

We have discussed with you the bases and assumptions as set out in Section A of Appendix III to the Prospectus upon which the Profit Forecast has been made. We have also considered the letter dated 22 October 2013 addressed to you and ourselves from Deloitte Touche Tohmatsu, regarding the accounting policies and calculations upon which the Profit Forecast has been based.

On the basis of the information comprising the Profit Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by Deloitte Touche Tohmatsu, we are of the opinion that the Profit Forecast, for which you as the directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully,

For and on behalf of
DBS Asia Capital Limited
Andrew Yeung
Managing Director

For and on behalf of
Kim Eng Securities (Hong Kong) Limited
Cecil Ng
Managing Director

Set out below is a summary of certain provisions of the memorandum and articles of association of the Company and of certain aspects of Cayman Islands company law.

1. MEMORANDUM OF ASSOCIATION

The memorandum of association provides that the Company's objects are unrestricted. The objects of the Company are set out in Clause 3 of the memorandum of association which is available for inspection at the address and during the period specified in the paragraph headed "Documents available for inspection" specified in appendix VI to this Prospectus. As an exempted company, the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

2. ARTICLES OF ASSOCIATION

The articles of association of the Company (the "Articles") were adopted on 11 October 2013 and will take effect on the Listing Date. The following is a summary of certain provisions of the Articles.

(a) Directors

(i) Power to allot and issue shares

Without prejudice to any special rights or restrictions for the time being attaching to any shares or any class of shares, any share may be issued upon such terms and conditions and with such preferred, deferred or other special rights, or such restrictions, whether as regards dividend, voting, return of capital or otherwise, as the Company may from time to time by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Directors may determine) and any preference shares may be issued on terms that they are liable to be redeemed upon the happening of a specified event or upon a given date and either at the option of the Company or at the option of the holder. The Directors may issue warrants to subscribe for any class of shares or securities of the Company on such terms as they may from time to time determine.

All unissued shares in the Company shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and generally on such terms they shall in their absolute discretion think fit, but so that no shares shall be issued at a discount.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries although the Directors may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or relevant statutes of the Cayman Islands to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and the giving of security for loans to Directors

Where the shares of the Company remain listed on the Stock Exchange or on a stock exchange in such other territory as the Directors may from time to time decide, the Company may not make, without the approval of, or ratification by, the Company in general meeting, any loans to, or provide any guarantee, indemnity or security in respect of any loan to a Director or any of his associates, provided that the Articles do not prohibit the granting of any loan or the provision of any guarantee, indemnity or security (i) to be applied for, or in respect of a liability incurred for any business of the Company, (ii) for the purchase by a Director (or the repayment of a loan for his purchase) of a residence where the amount of the loan, the liability under the guarantee or indemnity or the value of the security does not exceed 80 per cent. of the fair market value of such residence nor 5 per cent. of the consolidated net asset value of the Company as shown in its latest audited accounts; provided that any such loan is on normal commercial terms and is secured by a legal charge over the residence; or, (iii) of any amount to, or in respect of a liability of, a company in which the Company has an equity interest, and the amount of such loan, or the liability assumed by the Company under such guarantee, indemnity or security, does not exceed its proportional interest in such company.

(v) Financial assistance to purchase shares of the Company or its holdings company

There are no provisions in the Articles relating to the giving by the Company of financial assistance for the purchase, subscription or other acquisition of shares of the Company or of its holding company. The law on this area is summarised in paragraph 4(b) below.

(vi) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of an auditor) in conjunction with his office of Director for such period and upon such terms as the Directors may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) as the Directors may determine. A Director may be or become a director or other officer of, or be otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profit or other benefit received by him as a director or officer of or from his interest in such other company. The Directors may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as they think fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company. A Director shall not vote or be counted in the quorum on any resolution of the Directors concerning his own appointment or the appointment of any of his associates as the holder of any office or place of profit with the Company or any other company in which the Company is interested (including the arrangement or variation of the terms thereof, or the termination thereof).

Subject to the provisions of the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor will any contract with regard thereto or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. If to the knowledge of a Director, he or any of his associates, is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company, he must declare the nature of his or, as the case may be, his associate(s)' interest at the meeting of the Directors at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest or that of his associates then exists, or in any other case at the first meeting of the Directors after he knows that he or his associate(s) is or has become so interested.

Save as otherwise provided by the Articles, a Director may not vote (nor be counted in the quorum for the voting) on any resolution of the Directors approving any contract or arrangement in which he or any of his associate(s) is to his knowledge materially interested, and if he does so his vote will not be counted, but this prohibition will not apply to any of the following matters, namely:

(aa) any contract or arrangement for the giving to the Director or his associate(s) of any security or indemnity in respect of money lent by him or any of them or obligations undertaken by him for the benefit of the Company;

(bb) any contract or arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company or any company in which the Company has an interest for which the Director or his associate(s) has himself/themselves guaranteed or secured in whole or in part;

(cc) any contract or arrangement by a Director or his associate(s) to subscribe for shares or debentures or other securities of the Company to be issued pursuant to any offer or invitation to the members or debenture or other securities holders or to the public which does not provide the Director and his associate(s) any privilege not accorded to any other members or debenture or other securities holders or to the public;

(dd) any contract or arrangement concerning an offer of the shares, debentures or other securities of or by the Company for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer and/or for the purposes of making any representations, the giving of any covenants, undertakings or warranties or assuming any other obligations in connection with such offer;

(ee) any contract or arrangement in which the Director or his associate(s) is/are interested by virtue only of his/their interest in shares or debentures or other securities of the Company and/or his/their being the offeror or one of the offerors or is interested in one of the offerors for the purchase or effective acquisition of such shares, debentures or other securities;

(ff) any proposal or arrangement for the benefit of employees of the Company or its subsidiaries including a pension fund or retirement, death or disability benefit scheme or personal pension plan under which a Director, his associate(s) and employees of the Company or of any of its subsidiaries may benefit and which has been approved by or is subject to and conditional on approval by the relevant tax authorities for taxation purposes or relates to Directors, associate(s) of Directors and employees of the Company or any of its subsidiaries and does not give the Director or his associate(s) any privilege not accorded to the relevant class of officers of which the Director is a member and to whom such scheme or fund relates;

(gg) any proposal concerning the adoption, modification or operation of any share scheme involving the issue or grant of options over shares or other securities by the Company to, or for the benefit of, the employees of the Company or its subsidiaries under which the Director or his associate(s) may benefit; and

(hh) any contract, agreement, transaction or proposal concerning the purchase and/or maintenance of any insurance policy for the benefit of any Director, his associate(s), officer or employee pursuant to the Articles.

(vii) Remuneration

The Directors shall be entitled to receive by way of ordinary remuneration for their services such sum as is from time to time determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing provisions shall not apply to a Director who holds any salaried employment or office in the Company except in the case of sums paid in respect of Directors' fees. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them respectively in or about the performance of their duties as Directors, including their expenses of travelling to and from Directors' meetings, committee meetings or general meetings, or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who performs any special or extra services to or at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be arranged. Notwithstanding the foregoing the remuneration of the managing director, joint managing director, deputy managing director or an executive Director or a Director appointed to any other office in the management of the Company may be fixed from time to time by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration is in addition to his ordinary remuneration as a Director.

The Directors also have power to establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds for the benefit of, or to give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of the Company, or of any company which is a subsidiary of the Company, or is allied or associated with the Company or with any such subsidiary company, or who are or were at any time directors or officers of the Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in the Company or such other company, and the spouses, widows, widowers, families and dependants of any such persons and may make payments for or towards the insurance of any such persons. Any Director holding any such employment or office is entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument.

(viii) Retirement, appointment and removal

At each annual general meeting, one-third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot.

A Director is not required to retire upon reaching any particular age.

The Directors are entitled to attend and speak at all general meetings.

The number of Directors shall not be fewer than one. A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for breach of any contract of service between him and the Company). Subject to the statutes and the provisions of the Articles, the Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. In addition, the Directors may appoint any person to be a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the members in general meeting. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting.

The Directors may from time to time entrust to and confer upon the chairman, deputy chairman, managing director, joint managing director, deputy managing director or executive director of the Company all or any of the powers of the Directors that they may think fit, provided that the exercise of all powers by such Director shall be subject to such regulations and restrictions as the Directors may from time to time make and impose. The Directors may delegate any of their powers to committees consisting of such member or members of their body and such other persons as they think fit, and they may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed upon it by the Directors.

(ix) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and uncalled capital or any part thereof. The Directors may raise or secure the payment or repayment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit and in particular, but subject to the provisions of the Companies Law, by the issue of debentures, debenture stock, bonds or other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: The provisions summarised above, in common with the Articles in general, may be varied with the sanction of a special resolution of the Company.

(x) Qualification shares

Directors of the Company are not required under the Articles to hold any qualification shares.

(xi) Indemnity to Directors

The Articles contain provisions that provide indemnity to, among other persons, the Directors from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

(b) Alterations to constitutive documents

The memorandum of association of the Company may be altered by the Company in general meeting. The Articles may also be amended by the Company in general meeting. As more fully described in paragraph 3 below, the Articles provide that, subject to certain exceptions, a special resolution is required to alter the memorandum of association, to approve any alteration to the Articles and to change the name of the Company.

(c) Alterations of capital

The Company may from time to time by ordinary resolution:

(i) increase its share capital;

(ii) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; on any consolidation of fully paid shares into shares of larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may, as between the holders of the shares to be consolidated, determine which particular shares are to be consolidated into a consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(iii) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;

(iv) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled;

(v) sub-divide its shares or any of them into shares of smaller amount than is fixed by the memorandum of association, subject nevertheless to the Companies Law, and so that the resolution whereby any shares are sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares;

(vi) change the currency of denomination of its share capital; and

(vii) make provision for the issue and allotment of shares which do not carry any voting rights.

The Company may by special resolution reduce its issued share capital, any capital redemption reserve fund or other undistributable reserve in any manner authorised and subject to any conditions prescribed by law. The Company may apply its share premium account in any manner permitted by law.

(d) Variation of rights of existing shares or classes of shares

If at any time the capital is divided into different classes of shares, all or any of the special rights (unless otherwise provided for by the terms of issue of that class) attached to any class may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, save as to the provisions regarding the quorum of meetings, as to which see paragraph 2(s) below.

(e) Special resolutions – majority required

For so long as any part of the issued capital of the Company remains listed on the Stock Exchange, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives, or by proxy, at a general meeting of which notice of not less than 21 clear days' and not less than ten (10) clear business days, specifying the intention to propose the resolution as a special resolution, has been duly given. However, at all times while any part of the issued capital of the Company remains listed on the Stock Exchange, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right, (or, in the case of an annual general meeting, by all members) a resolution may be proposed and passed as a special resolution at a meeting of which notice of not less than 21 clear days' and not less than ten (10) clear business days has been given.

(f) Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for every share of which he is the holder which is fully paid or credited as fully paid (but so that no amount paid or credited as paid on a share in advance of calls or instalments is treated for the foregoing purposes as paid on the share). So long as the shares are listed on the Stock Exchange, where any member is, under the Listing Rules (as defined in the Articles), required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member (whether by way of proxy or, as the case may be, corporate representative) in contravention of such requirement or restriction shall not be counted. On a poll, a member entitled to more than one vote need not use all his votes or cast all his votes in the same way.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

Where a shareholder is a clearing house (as defined in the Articles) or a nominee of a clearing house, it may authorise such persons as it thinks fit to act as its representatives at any meeting of the Company or at any meeting of any class of shareholders provided that the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of the Articles shall be entitled to exercise the same rights and powers as if such person was the registered holder of the shares of the Company held by the clearing house (or its nominees) in respect of the number and class of shares specified in the relevant authorisation including, where a show of hands is allowed, the right to vote individually on a show of hands.

(g) Requirements for annual general meetings

For so long as any part of the issued capital of the Company remains listed on the Stock Exchange, an annual general meeting must be held once in every year and within not more than 15 months after the last preceding annual general meeting or such longer period as is permissible or not prohibited under the rules of the Stock Exchange on which any securities of the Company are listed with the permission of the Company.

(h) Accounts and audit

The Directors shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipts and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by law or are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts are to be kept at the principal office of the Company or at such other place as the Directors think fit and shall always be open to the inspection of the Directors. No member (not being a Director) or other person has any right to inspect any account or book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Directors or by the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

The Directors shall from time to time cause to be prepared and laid before the Company at its annual general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports and so long as any shares in the Company are listed on the Stock Exchange, the accounts of the Company shall be prepared and audited based on the generally accepted accounting principles of Hong Kong or the International Financial Reporting Standards or such other standards as the Stock Exchange may permit. Every balance sheet of the Company shall be signed on behalf of the Directors by two Directors and a copy of every balance sheet (including every document required by law to be comprised therein or attached or annexed thereto) and profit and loss account which is to be laid before the Company at its annual general meeting, together with a copy of the Directors' report and a copy of the auditors' report, shall not less than 21 days before the date of the meeting, be sent to every member of, and every holder of debentures of, the Company and every other person entitled to receive notices of general meetings of the Company under the Companies Law or of the Articles. Subject to due compliance with the Companies Law and the rules of the Stock Exchange, and to obtaining all necessary consents, if any, required thereunder and such consents being in full force and effect, such requirements shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the Companies Law and instead of such copies, a summary financial statement derived from the Company's annual financial statements and the directors' report thereon, which shall be in the form and containing the information required by applicable laws and regulation, provided that any person who is otherwise entitled to the annual financial statements of the Company and the directors' report thereon may, if he so requires by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the directors' report thereon. If all or any of the shares or debentures of the Company are for the time being (with the consent of the Company) listed or dealt in on any stock exchange, there shall be forwarded to such stock exchange such number of copies of such documents as may for the time being be required under its regulations or practice.

Auditors shall be appointed and their duties regulated in accordance with the Articles. Save as otherwise provided by such provisions the remuneration of the auditors shall be fixed by or on the authority of the Company at each annual general meeting, but in respect of any particular year, the Company in general meeting may delegate the fixing of such remuneration to the Directors.

(i) Notices of meetings and business to be conducted thereat

For so long as any part of the issued capital of the Company remains listed on the Stock Exchange, an annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which the passing of a special resolution is to be considered shall be called by notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings may be called by notice of not less than fourteen (14) clear days and not less than ten (10) clear business days. The notice shall specify the place, the day and the hour of meeting and particulars of resolutions to be considered at the meeting and, in case of special business, the general nature of that business.

(j) Transfer of shares

All transfers of shares must be effected by transfer in writing in the usual or common form or so long as any shares in the Company are listed on the Stock Exchange, such standard form prescribed by the Stock Exchange or in any other form acceptable to the Board and may be under hand only or, if the transferor or transferee is a clearing house or its nominee(s), by hand, by machine imprinted signature or by such other means of execution as the Directors may approve from time to time; and an instrument of transfer must be executed by or on behalf of the transferor and by or on behalf of the transferee and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof, provided that the Directors may in their absolute discretion dispense with the requirement for the production of a transfer in writing before registering a transfer of a share, and may accept mechanically executed transfers in any case.

The Directors may, in their absolute discretion, at any time and from time to time transfer or agree to transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Directors otherwise agree, no shares on the principal register shall be transferred to any branch register nor shall shares on any branch register be transferred to the principal register or any other register. All transfers and other documents of title must be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the transfer office for that register.

The Directors may in their absolute discretion and without assigning any reason therefor, refuse to register any transfer of any shares (not being fully paid shares) to a person of whom they do not approve and they may refuse to register the transfer of any shares (not being fully paid shares) on which the Company has a lien. The Directors may also refuse to register a transfer of shares (whether fully paid or not) in favour of more than four persons jointly or any share issued under any share option scheme for employees upon which a restriction on transfer imposed thereby shall subsist, or where the transfer is to an infant or a person of unsound mind or under other legal disability. If the Directors refuse to register a transfer, they must within two months after the date on which the transfer was lodged with the Company send to the transferor and transferee notice of the refusal and (if the shares concerned are fully paid shares) the reasons(s) for such refusal.

The Directors may, if applicable, decline to recognise an instrument of transfer unless the instrument of transfer is properly stamped, is in respect of only one class of share and is lodged at the relevant registration or transfer office accompanied by the relevant share certificate(s) and such other evidence as they may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may, on giving notice by advertisement in one English and one Chinese newspaper circulating in Hong Kong, be suspended at such times and for such periods as the Directors may from time to time determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

(k) Power for the Company to purchase its own shares

The Articles provide that the power of the Company to purchase or otherwise acquire its shares is exercisable by the Directors upon such terms and conditions as they think fit subject to the conditions prescribed by the Companies Law.

(l) Power of any subsidiary to own securities in the Company

There are no provisions in the Articles relating to ownership of securities in the Company by a subsidiary.

(m) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency but no dividend may exceed the amount recommended by the Directors. The Company may also make a distribution out of share premium account subject to the provisions of the Companies Law.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends will be apportioned and paid pro rata according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid on a share in advance of calls will for this purpose be treated as paid on the shares. The Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may deduct from any dividend or bonus payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid in lieu of the whole or such part of the dividend as the Directors may think fit.

The Company may also upon the recommendation of the Directors by an ordinary resolution resolve in respect of any particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared the Directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends, bonuses or other distributions or the proceeds of the realisation of any of the foregoing unclaimed for one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions or proceeds as aforesaid unclaimed for six years after having been declared may be forfeited by the Directors and, upon such forfeiture, shall revert to the Company and, in the case where any of the same are securities in the Company, may be re-allotted or re-issued for such consideration as the Directors think fit.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company or a meeting of the holders of any class of shares in the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him to vote on his behalf at a general meeting of the Company or at a class meeting. At any general meeting, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy. Proxies need not be members of the Company.

A proxy shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member.

(o) Corporate representatives

A corporate member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint any person or persons as its representative to attend and vote on its behalf. A corporate member represented by its representative is deemed to be present in person at the relevant meeting and its representative may vote on a poll on any resolution put at such meeting.

(p) Calls on shares and forfeiture of shares

The Directors may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent. per annum as the Directors shall fix from the day appointed for the payment thereof to the time of actual payment, but the Directors may waive payment of such interest wholly or in part. The Directors may, if they think fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20 per cent. per annum as the Directors may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of fourteen days from the date of the notice) on or before which the payment required by the notice is to be made, and it will also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all moneys which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Directors shall in their discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent. per annum as the Board may prescribe.

(q) Inspection of register of members

For so long as any part of the share capital is listed on the Stock Exchange, any member may inspect the principal or branch register of the Company maintained in Hong Kong without charge and require the provision to him of copies or extracts thereof in all respect as if the Company were incorporated under and is subject to the Companies Ordinance (Cap. 32) of the laws of Hong Kong.

(r) Inspection of register of Directors

There are no provisions in the Articles relating to the inspection of the register of Directors and Officers of the Company, since the register is not open to inspection (as to which see paragraph 4(k) below).

(s) Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two members present in person and entitled to vote (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting convened to sanction the modification of class rights, the necessary quorum shall not be less than two persons holding or representing by proxy one-third in nominal value of the issued shares of that class and, where such meeting is adjourned for want of quorum, the quorum for the adjourned meeting shall be any two members present in person and entitled to vote or by proxy (whatever the number of shares held by them).

(t) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority members in relation to fraud or oppression. However, certain remedies are available to members of the Company under Cayman Islands company law as summarised in paragraph 4(e) below.

(u) Procedures on liquidation

A resolution for a court or voluntary winding up of the Company must be passed by way of a special resolution.

If the Company shall be wound up, the surplus assets remaining after payment to all creditors are to be divided among the members in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid up capital, they are to be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively, all subject to the rights of any shares issued on special terms and conditions.

If the Company shall be wound up (whether the liquidation is voluntary or by the court), the liquidator may, with the sanction of a special resolution, divide among the members in specie or kind the whole or any part of the assets of the Company and whether the assets consist of property of one kind or properties of different kinds and the liquidator may, for such purposes, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division is to be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any one or more class or classes of property and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares or other assets upon which there is a liability.

(v) Untraceable members

The Company may sell the shares of any member if: (i) dividends or other distributions have been declared by the Company on at least three occasions during a period of 12 years and these dividends or distributions have been unclaimed on such shares; (ii) the Company has published an advertisement of its intention to sell such shares in English and in Chinese in one leading English and (unless unavailable) one leading Chinese newspaper circulating in the territory of the stock exchange on which the ordinary share capital of the Company is listed and a period of three months has elapsed since the date of the first publication of such notice; (iii) the Company has not at any time during the said periods of 12 years and three months received any indication of the existence of the member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operations of law; and (iv) the Company has notified the stock exchange on which the ordinary share capital of the Company is listed of its intention to sell such shares. The net proceeds of any such sale will belong to the Company and upon the receipt of such net proceeds by the Company, the Company will become indebted to the former holder of such shares for an amount equal to the amount of such net proceeds.

(w) Stock

The Company may by ordinary resolution convert any fully paid shares into stock, and may from time to time by like resolution reconvert any stock into fully paid shares of any denominations. The holders of stock may transfer the same or any part thereof in the same manner, and subject to the same regulations as and subject to which the shares from which the stock arose might prior to conversion have been transferred or as near thereto as circumstances admit, but the Directors may from time to time, if they think fit, fix the minimum amount of stock transferable and restrict or prohibit the transfer of fractions of that minimum, but so that such minimum shall not exceed the nominal amount of the shares from which the stock arose. No warrants to bearer shall be issued in respect of any stock. The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards dividends, participation in assets on a winding-up, voting at meetings, and other matters, as if they held the shares from which the stock arose, but no such privilege of the Company shall be conferred by an amount of stock which would not, if existing in shares, have conferred such privilege or advantage. All such of the provisions of the Articles as are applicable to paid up shares shall apply to stock, and the words “share” and “shareholder” and “member” therein shall include “stock” and “stockholder”.

(x) Other provisions

The Articles provide that, to the extent that it is not prohibited by and is in compliance with the Companies Law, if any rights attaching to any warrants which the Company may issue after the date of this prospectus shall remain exercisable and the Company does any act which would result in the subscription price under such warrants being reduced below the par value of a Share, a subscription right reserve shall be established and applied in paying up the shortfall between the subscription price and the par value of a Share on any exercise of the warrants.

3. VARIATION OF MEMORANDUM AND ARTICLES OF ASSOCIATION

Subject to the rights of the Company set out in paragraph 2(c) above to amend its capital by ordinary resolution, the memorandum of association of the Company may be altered by the Company by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the memorandum of association (subject as provided above) or the

Articles or to change the name of the Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than 21 clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of not less than 21 clear days' notice and not less than ten (10) clear business days notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

4. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of the Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". The share premium account may be applied by a company subject to the provisions of its memorandum and articles of association in such manner as the company may from time to time determine including, but without limitation:

(i) in paying distributions or dividends to members;

(ii) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;

(iii) in redeeming or purchasing its shares as provided in the Companies Law; or

(iv) in writing off (aa) the preliminary expenses of the company; or

(bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No dividend or distribution may be paid to members out of the share premium account unless immediately following the date of the proposed payment, the company is able to pay its debts as they fall due in the ordinary course of business.

A company may issue preference shares and redeemable preference shares.

The Companies Law does not contain any express provisions dealing with the variation of rights of holders of different classes of shares.

(b) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands against the provision of financial assistance for the purchase, subscription or other acquisition of its shares, though on English common law principles, the directors have a duty to act in good faith for a proper purpose in the best interests of the company, and moreover, there are restrictions on any act which amounts to a reduction of capital. Accordingly, it may, depending on the circumstances be legitimate for the directors to authorise the provision by a company of financial assistance for the purchase, subscription or other acquisition of its own shares, or the shares of its holding company.

(c) Redemption and Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its articles of associations issue redeemable shares and, purchase its own shares, including any redeemable shares and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. Purchases and redemptions may only be effected out of the profits of the company or the share premium account of the company or out of the proceeds of a fresh issue of shares made for the purpose, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the shares to be purchased must be provided for out of profits of the company or out of the company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any purchase by a company of its own shares may be authorised by its directors or otherwise by or in accordance with the provisions of its articles. A payment out of capital for a redemption or purchase of a company's own shares is not lawful unless immediately following the date of the proposed payment the company is able to pay its debts as they fall due in the ordinary course of business. Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own subscription warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. A company, whether a subsidiary or a holding company, may only purchase its own shares for cancellation if it is authorised to do so in its articles of association.

(d) Dividends and distributions

A company may not pay a dividend, or make a distribution out of share premium account unless immediately following the date on which the payment is proposed to be made, the company is able to pay its debts as they fall due in the ordinary course of business.

(e) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of a company to challenge (a) an act which is ultra vires the company or illegal (b) an act which constitutes a fraud against the minority and the wrong doers are themselves in control of the company, or (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of company (not being a bank) having a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the court shall direct.

Any shareholder of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company shall be wound up.

Generally, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the memorandum and articles of association of the company.

(f) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary is required, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(g) Accounting and auditing requirements

The Companies Law requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company. A company is required to keep such books of account as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(h) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(i) Taxation

There are no income, corporation, capital gains or other taxes in effect in the Cayman Islands on the basis of the present legislation. As an exempted company, the Company has received from the Governor-in-Counsel of the Cayman Islands pursuant to the Tax Concessions Law (1999 Revision) of the Cayman Islands, an undertaking that in the event of any change to the foregoing, the Company, for a period of 20 years from the date of the grant of the undertaking, will not be chargeable to tax in the Cayman Islands on its income or its capital gains arising in the Caymans Islands or elsewhere and that dividends of the Company will be payable without deductions of Cayman Islands tax. No capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Shares.

(j) Stamp duty

Certain documents (which do not include contract, notes for the sale and purchase of, or instruments of transfer of, shares in Cayman Islands companies) are subject to stamp duty which is generally calculated on an ad valorem basis.

(k) Inspection of corporate records

Neither the members of a company nor the general public have the right to inspect the register of directors and officers, the minutes, accounts or, in the case of any exempted company, the register of members. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands. The register of mortgages and charges must be kept at the registered office of the company and must be open to inspection by any creditor or member at all reasonable times.

Members of the public have no right to inspect the constitutive documents of a company but the memorandum and articles of association must be forwarded to any member of the company upon request. If no articles of association have been registered with the Registrar of Companies, each member has the right to receive copies of special resolutions of members upon request upon payment of a nominal fee.

The location of the registered office of a company is available to the general public upon request to the Registrar of Companies.

(l) Winding up

A company may be wound up by the Cayman Islands court on application presented by the company itself, its creditors or its contributors. The Cayman Islands court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Cayman Islands court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles of association expires, or the event occurs on the occurrence of which the memorandum or articles of association provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where a resolution has been passed for the voluntary winding up of a company, the court may make an order that the winding up should continue subject to the supervision of the court with such liberty to creditors, contributors or others to apply to the court as the court may think fit.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purposes of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice called by Public Notice in the Cayman Islands or otherwise as the Registrar of Companies may direct.

5. GENERAL

Conyers Dill & Pearman (Cayman) Limited, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 31 July 2012 with an authorised share capital of HK$380,000 divided into 3,800,000 Shares of HK$0.10 each. On 31 July 2012, our Company issued and allotted one nil paid Share to Codan Trust Company (Cayman) Limited, which was transferred to Keen Luck on the same date.

As our Company was incorporated in the Cayman Islands, we operate subject to the relevant laws and regulations of the Cayman Islands and our constitution which comprises the Memorandum and the Articles. A summary of the relevant laws and regulations of the Cayman Islands and of our Company's constitution is set out in Appendix IV to this prospectus.

2. Changes in share capital of our Company

(a) Increase in authorised share capital

The authorised share capital of our Company was increased from HK$380,000 to HK$500,000,000 by the creation of 4,996,200,000 new Shares pursuant to a resolution passed by our Shareholders referred to in paragraph 3 below and subject to the conditions contained therein.

Immediately following completion of the Global Offering and the Capitalisation Issue (taking no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and the Over-allotment Option), our authorised share capital will be HK$500,000,000 divided into 5,000,000,000 Shares, of which 1,600,000,000 Shares will be issued fully paid or credited as fully paid, and 3,400,000,000 Shares will remain unissued. Other than pursuant to the exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this paragraph and in the paragraphs headed "Incorporation of our Company", "Resolutions in writing of our Shareholders passed on 11 October 2013" and "Group reorganisation" of this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

(b) Founder shares

Our Company has no founder shares, management shares or deferred shares.

3. Resolutions in writing of our Shareholders passed on 11 October 2013

By resolutions in writing of our Shareholders passed on 11 October 2013:

(a) we approved and adopted the Articles with effect from the Listing Date;

(b) the authorised share capital of our Company was increased from HK$380,000 to HK$500,000,000 by the creation of 4,996,200,000 new Shares;

(c) conditional on (aa) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, (bb) the Offer Price having been determined; (cc) the execution and delivery of the International Underwriting Agreement on or before the date as mentioned in this prospectus; and (dd) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the day falling 30 days after the date of this prospectus:

(i) the Global Offering and the grant of the Over-allotment Option by our Company were approved and our Directors were authorised to (aa) allot and issue the Offer Shares pursuant to the Global Offering, and such number of Shares as may be allotted and issued upon the exercise of the Over-allotment Option; (bb) implement the Global Offering and the listing of Shares on the Main Board of the Stock Exchange; and (cc) do all things and execute all documents in connection with or incidental to the Global Offering and the Listing with such amendments or modifications (if any) as our Directors may consider necessary or appropriate;

(ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "Share Option Scheme" of this Appendix, were approved and adopted and our Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme;

(iii) conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to capitalise HK$119,900,000 standing to the credit of the share premium account of our Company by applying that sum in paying up in full at par 1,199,000,000 Shares for allotment and issue to the holders of Shares whose names appear on the register of members of our Company at the close of business on 11 October 2013 (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing respective shareholdings in our Company and so that the

Shares be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the then existing issued Shares and our Directors were authorised to give effect to such capitalisation;

(iv) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles, or upon the exercise of any options which may be granted under the Share Option Scheme or under the Global Offering or the Capitalisation Issue or upon the exercise of the Over-allotment Option, Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option; and (bb) the nominal amount of the share capital of our Company which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in sub-paragraph (v) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by Shareholders revoking or varying the authority given to our Directors, whichever occurs first;

(v) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to purchase Shares on the Stock Exchange or other stock exchange on which the securities of our Company may be listed and recognised by the SFC and the Stock Exchange for this purpose, with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option; until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by Shareholders revoking or varying the authority given to our Directors, whichever occurs first; and

(vi) the extension of the general mandate to allot, issue and deal with Shares pursuant to paragraph (iv) above to include the nominal amount of Shares which may be purchase or repurchased pursuant to paragraph (v) above.

(d) the form and substance of each of the service agreements made between our executive Directors and our Company, and the form and substance of each of the appointment letters made between each of our independent non-executive Directors with our Company were approved.

4. Companies comprising our Group

Below is a description of the companies comprising our Group immediately before and after our Reorganisation:

Saite Steel (BVI)

On 21 June 2012, Saite Steel (BVI) was incorporated in the BVI for the purpose of acting as the intermediate company of our Group with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. On the date of incorporation, one share of US$1.00 was issued and allotted to Mr. Jiang, which was transferred to our Company on 9 August 2012 as part of our Reorganisation.

Since 9 August 2012 and until the Latest Practicable Date, Saite Steel (BVI) remained a direct wholly owned subsidiary of our Company.

Reform Base

Reform Base was incorporated in the BVI on 16 May 2007 with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each, among which one share was issued and allotted to Mr. Toe on 20 July 2007. Mr. Toe transferred the one share in Reform Base at par to Mr. Tong on 28 December 2007. Mr. Tong is a Hong Kong permanent resident who was interested in investing in the business of Saite Steel (Jiangsu) and was introduced to Mr. Jiang by Mr. Jiang's personal friend when we were exploring the possibility of conducting a listing exercise in Singapore in 2007, which eventually did not proceed.

On 6 April 2011, Mr. Tong, Pure Grand and Keen Luck entered into a share transfer agreement, pursuant to which Mr. Tong agreed to transfer the one share in Reform Base, representing its then entire issued share capital, to Keen Luck at a consideration of RMB102,000,000, which is satisfied by issuing and allotting 459 shares of US$1.00 each by Keen Luck to Pure Grand, at the direction of Mr. Tong, and Pure Grand in return issued and allotted one share of US$1.00 to Mr. Tong on 6 April 2011. On the same day, 51 shares of Keen Luck were issued and allotted to Pure Grand. Therefore, Pure Grand held 510 shares of Keen Luck, representing 51% of its then entire issued share capital. From 6 April 2011 to the Latest Practicable Date, Pure Grand was directly wholly owned by Mr. Tong.

Accordingly, during the period between 6 April 2011 and the date immediately prior to our Reorganisation, Keen Luck was interested in one share, representing the then entire issued share capital of Reform Base.

Aim Elite

Aim Elite was incorporated in the BVI on 5 July 2007 with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each, among which one share was issued and allotted to Mr. Jiang on 15 August 2007.

On 6 April 2011, Mr. Jiang, Champ Origin and Keen Luck entered into a share transfer agreement, pursuant to which Mr. Jiang agreed to transfer the one share in Aim Elite, representing its then entire issued share capital, to Keen Luck at a consideration of RMB98,000,000, which is satisfied by issuing and allotting 441 shares of US$1.00 each by Keen Luck to Champ Origin, at the direction of Mr. Jiang, and Champ Origin in return issued and allotted one share of US$1.00 to Mr. Jiang on 6 April 2011. On the same day, 49 shares of Keen Luck were issued and allotted to Champ Origin. Therefore, Champ Origin held 490 shares of Keen Luck, representing 49% of its then entire issued share capital. From 6 April 2011 to the Latest Practicable Date, Champ Origin was owned as to 51% by Mr. Jiang and as to 49% by Mr. YX Jiang.

Accordingly, during the period between 6 April 2011 and the date immediately prior to our Reorganisation, Keen Luck was interested in one share, representing the then entire issued share capital of Aim Elite.

Site Holdings

During 2007, the local government of Yixing encouraged local enterprises to obtain listing status overseas. It was under such circumstances that we considered the possibility of obtaining a listing status overseas and subsequently considered obtaining such status in Singapore. Saite Steel (Jiangsu) then considered the possibility of listing by way of injecting its business into a company listed on the Singapore Exchange Limited in exchange of the listed company's shares, believing it was a swifter way to obtain a listing status. A company listed on the Singapore Exchange Limited (the "**Target Singapore Listco**"), whose business was based in Yixing, was introduced to Saite Steel (Jiangsu) by local government officials of Yixing. Based on the then discussions with the government officials and having considered the corporate structures of other PRC enterprises which had obtained listing status overseas, Saite Steel (Jiangsu) undertook certain internal restructuring in order to facilitate its proposed listing exercise. Accordingly, Site Holdings was incorporated in Singapore to act as the immediate holding company of Saite Steel (Jiangsu) so that shares of Site Holdings can become the subject matter of such acquisition.

Site Holdings was incorporated in Singapore on 31 July 2007 and one share was issued and allotted to Mr. Toe at incorporation. Such one share was held on trust by Mr. Toe on behalf of Mr. Jiang as to 49% ("**Jiang's Nominee Arrangement**") and Mr. Tong as to 51% ("**Tong's Nominee Arrangement**") for administrative convenience. Mr. Toe is a professional investor in Singapore, who assisted us in setting up Site Holdings. Mr. Toe was intended to be our financial adviser in connection with such a proposed backdoor listing exercise. However, taking into account the subsequent difficulties including the time required to be incurred in such a backdoor listing exercise might be much longer and more expensive as our Group had to spend money to acquire a shell company with no proceeds upon listing, coupling with the then prevailing stock market conditions in Singapore and the shares of the Target Singapore Listco was relatively thinly traded, Saite Steel (Jiangsu) did not proceed with such exercise. Our Directors confirmed that no agreement in relation to the acquisition of the business of Saite Steel (Jiangsu) or its holding company has been entered into between Saite Steel (Jiangsu) and the Target Singapore Listco or any other listed company in Singapore and no listing application has been submitted to the Singapore Exchange Limited in relation to the listing of Saite Steel (Jiangsu) or its holding company.

On 4 September 2007, Mr. Toe transferred the one share in Site Holdings at par to Reform Base. Reform Base was then wholly owned by Mr. Toe. Although Reform Base was wholly owned by Mr. Toe, such transfer did not affect Jiang's Nominee Arrangement and Tong's Nominee Arrangement, and Mr. Toe, through Reform Base, continued to hold the one share in Site Holdings on behalf of Mr. Jiang as to 49% and Mr. Tong as to 51%. The transfer was properly and legally completed and settled.

On 26 October 2007, Site Holdings issued and allotted 509 shares and 490 shares of S$1.00 each to Reform Base (then wholly owned by Mr. Toe) and Aim Elite (then wholly owned by Mr. Jiang), respectively. The nominee arrangement with Mr. Jiang under Jiang's Nominee Arrangement terminated upon such issue of shares to Aim Elite. However, Tong's Nominee Arrangement still continued and Mr. Toe still held the 51% of the issued share capital of Site Holdings on behalf of Mr. Tong through Reform Base until Mr. Toe transferred the one share in Reform Base at par to Mr. Tong on 28 December 2007, and Tong's Nominee Arrangement terminated.

Accordingly, during the period between 28 December 2007 and the date immediately prior to our Reorganisation, Reform Base and Aim Elite were interested in 510 shares and 490 shares of Site Holdings, representing 51% and 49% of the then entire issued share capital of Site Holdings, respectively.

Modern Day

Modern Day was incorporated in Hong Kong on 22 February 2011 with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each, among which one share was issued and allotted to Fernside Limited, an Independent Third Party, at incorporation. Fernside Limited transferred the one share in Modern Day at par to Site Holdings on 6 April 2011.

On 8 August 2011, Site Holdings entered into an equity transfer agreement with Modern Day pursuant to which Site Holdings agreed to transfer its entire equity interest in Saite Steel (Jiangsu), amounting to a paid-up capital of RMB50,000,000, to Modern Day for a consideration of RMB50,000,000. Such consideration was satisfied by issuing to Site Holdings one share of HK$1.00 of Modern Day on 29 June 2012.

Accordingly, during the period between 29 June 2012 and the date immediately prior to our Reorganisation, Site Holdings was interested in two shares, representing the then entire issued share capital of Modern Day.

Saite Steel (HK)

Saite Steel (HK) was incorporated in Hong Kong on 23 July 2012 with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each, among which one share was issued and allotted to Saite Steel (BVI) at incorporation as part of our Reorganisation.

Since 9 August 2012 and up to the Latest Practicable Date, Saite Steel (HK) had been an indirect wholly owned subsidiary of our Company.

Yixing Zhicheng

According to the Construction FI Regulations, sino-foreign equity construction joint ventures can undertake projects within the authorised scope corresponding to its qualification and the investment of the Chinese investor of a sino-foreign equity construction joint venture must comprise at least 25% of its registered capital. Therefore, Yixing Zhicheng was established in the PRC by two Independent Third Parties who are PRC individuals, at the direction of Mr. Jiang, on 2 July 2012 with a registered capital of RMB16,667,000 which was fully paid-up as at 2 July 2012. The registered capital of Yixing Zhicheng was contributed by Mr. Jiang, Mr. YX Jiang, Mr. Tong, Mr. Lai Chau Yung and Ms. Feng Mei at their respective ultimate beneficial interest of Saite Steel (Jiangsu). As Mr. YX Jiang is the son of Mr. Jiang, Mr. Jiang paid for Mr. YX Jiang's share. Each of Mr. Tong, Mr. Lai and Ms. Feng funded the registered capital through obtaining a loan from Mr. Jiang as they are Hong Kong individuals and require Mr. Jiang's assistance to provide financing in RMB. These two Independent Third Parties agreed to utilise Yixing Zhicheng to hold 25% of the registered capital of Saite Steel (Jiangsu) on behalf of Mr. Jiang, Mr. YX Jiang, Mr. Tong, Mr. Lai Chau Yung and Ms. Feng Mei. The business licence was granted to Yixing Zhicheng on 2 July 2012. According to the business licence, the scope of business of Yixing Zhicheng includes providing management consultancy services to enterprises. On 2 August 2012, equity transfer agreements were entered into between the two Independent Third Parties and Saite Steel (HK) pursuant to which the two Independent Third Parties agreed to transfer the entire equity interest in Yixing Zhicheng i.e. RMB16,667,000 of the paid-up capital to Saite Steel (HK) ("**Yixing Zhicheng Acquisition**"). According to a confirmation from 宜興市商務局 (Yixing Bureau of Commerce) (formerly known as 宜興市對外貿易經濟合作局 (Bureau of Foreign Trade and Economic Cooperation of Yixing)) dated 27 March 2013, (i) Yixing Zhicheng had submitted all relevant documents in relation to the Yixing Zhicheng Acquisition as required under the relevant PRC laws and regulations for the application for approval of the Yixing Zhicheng Acquisition, and made a complete and accurate explanation in relation to the status of Saite Steel (HK) (including, but not limited to, corporate information, registered shareholders, controlling shareholder and whether any relationship existed between Saite Steel (HK) and the then shareholders of Yixing Zhicheng before the Yixing Zhicheng Acquisition) and the aforementioned arrangement of holding the respective interests of Mr. Jiang, Mr. YX Jiang, Mr. Tong, Mr. Lai Chau Yung and Ms. Feng Mei in Yixing Zhicheng; (ii) 宜興市對外貿易經濟合作局 (Bureau of Foreign Trade and Economic Cooperation of Yixing) had submitted all relevant documents to 江蘇省商務廳 (Department of Commerce of Jiangsu Province) and made a complete and accurate explanation to 江蘇省商務廳 (Department of Commerce of Jiangsu Province); (iii) approval for such transfers was obtained on 30 October 2012 from 江蘇省商務廳 (Department of Commerce of Jiangsu Province); and (iv) the required procedures to effect the change of Yixing Zhicheng to a WFOE is legal and valid. The Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hong Kong, Macao and Overseas Chinese in the PRC and the business licence were granted to Yixing Zhicheng on 30 October 2012 and 6 November 2012, respectively.

As advised by our PRC Legal Advisers, (i) each of Mr. Jiang and Mr. YX Jiang has completed the circular 75 registration in relation to the establishment of Yixing Zhicheng (as an overseas special purpose company) for investing in Saite Steel (Jiangsu); (ii) requisite approval and registration have been obtained and completed in accordance with the M&A Rules for the Yixing Zhicheng Acquisition, and the Yixing Zhicheng Acquisition and the change of Yixing Zhicheng to a WFOE is legal and valid; (iii) according to the Construction FI Regulations, a sino-foreign joint venture enterprise is allowed to undertake any construction project within its authorised scope according to its qualification, and it does not require the Chinese party in the sino-foreign joint venture enterprise to be a domestic enterprise (a Chinese company whose shareholders are not foreign companies, enterprises or entities). Based on the aforesaid, our PRC Legal Advisers advised that the reorganisation of Yixing Zhicheng (including establishing Yixing Zhicheng by two PRC individuals at the direction of Mr. Jiang which registered capital was contributed by Mr. Jiang, Mr. YX Jiang, Mr. Tong, Mr. Lai Chau Yung and Ms. Feng Mei, subscribing 25% interest in Saite Steel (Jiangsu) by Yixing Zhicheng, and transferring of all interest in Yixing Zhicheng to Saite Steel (HK) by the two PRC individuals shortly after the change of Saite Steel (Jiangsu) from a WFOE to a sino-foreign joint venture) complies with the applicable PRC laws and regulations, including but not limited to the Construction FI Regulations, and the Joint Sponsors concurred with the view of our PRC Legal Advisers.

Since 6 November 2012 and up to the Latest Practicable Date, Yixing Zhicheng had been an indirect wholly owned subsidiary of our Company.

Saite Steel (Jiangsu)

Saite Steel (Jiangsu) was established by Mr. Jiang Jinhe (the father of Mr. Jiang), Mr. Jiang and Mr. Shen Deqiang in the PRC on 24 September 1998, with the name 宜興市賽特新型建築材料安裝有限公司 (Yixing City Saite New Construction Materials and Installation Company Limited*).

The establishment of Saite Steel (Jiangsu) was approved by the relevant PRC regulatory authorities on 24 September 1998. The business licence was granted to Saite Steel (Jiangsu) on 24 September 1998. The scope of business of Saite Steel (Jiangsu) included processing of colour steel plate and steel structure, installation and design. The then registered capital of Saite Steel (Jiangsu) amounted to RMB1,680,000, which was contributed as to RMB840,000 by Mr. Jiang Jinhe, as to RMB672,000 by Mr. Jiang and as to RMB168,000 by Mr. Shen Deqiang, representing 50%, 40% and 10% of the then entire registered capital of Saite Steel (Jiangsu), respectively. As at 8 September 1998, the registered capital of RMB1,680,000 was fully paid-up by the abovementioned shareholders.

In June 2003, changes were made to the scope of business and registered capital of Saite Steel (Jiangsu). The scope of business was changed to processing of colour steel plate and steel structure and the registered capital was increased to RMB10,500,000, which was contributed by Mr. Jiang Jinhe as to RMB840,000, by Mr. Jiang as to RMB9,492,000 and by Mr. Shen Deqiang as to RMB168,000, representing 8.0%, 90.4% and 1.6% of the then entire registered capital of Saite Steel (Jiangsu), respectively. The updated business licence was granted to Saite Steel (Jiangsu) on 30 June 2003. As at 25 June 2003, the registered capital of RMB10,500,000 was fully paid-up by the abovementioned shareholders.

In December 2003, changes were made to the company name and scope of business of Saite Steel (Jiangsu). The name of Saite Steel (Jiangsu) was changed to 江蘇賽特鋼結構有限公司 (Jiangsu Site Steel Structure Co. Ltd.*). The scope of business was changed to processing of colour steel plate and steel structure, professional contractor of steel structure project according to Grade Two qualification (for those subject to special approval would be operated according to the qualification certificate). The updated business licence was granted to Saite Steel (Jiangsu) on 29 December 2003.

In March 2005, the registered capital of Saite Steel (Jiangsu) was further increased to RMB20,500,000. The registered capital contributed by Mr. Shen Deqiang was transferred to Mr. Jiang, and Mr. Jiang Jinhe and Mr. Jiang contributed further capital of RMB390,000 and RMB9,610,000. The transfer from Mr. Shen Deqiang to Mr. Jiang was properly and legally completed and settled. Therefore, out of the total registered capital of RMB20,500,000, RMB1,230,000 was contributed by Mr. Jiang Jinhe and RMB19,270,000 was contributed by Mr. Jiang, representing 6% and 94% of the then entire registered capital of Saite Steel (Jiangsu), respectively. The updated business licence was granted to Saite Steel (Jiangsu) on 6 April 2005. As at 6 April 2005, the registered capital of RMB20,500,000 was fully paid-up by the abovementioned shareholders.

In August 2006, changes were made to the registered capital and scope of business of Saite Steel (Jiangsu). The registered capital was increased to RMB50,000,000, which would be contributed by Mr. Jiang Jinhe as to RMB3,000,000 and by Mr. Jiang as to RMB47,000,000, representing 6% and 94% of the then entire registered capital of Saite

Steel (Jiangsu), respectively. The scope of business was changed to processing of colour steel plate and steel structure, professional contractor of steel structure project according to Grade One qualification (the aforesaid scope subject to special approval would be operated according to the valid qualification certificate). The updated business licence was granted to Saite Steel (Jiangsu) on 9 August 2006. As at 9 August 2006, the registered capital of RMB50,000,000 was fully paid-up by the abovementioned shareholders.

On 8 September 2007, each of Mr. Jiang Jinhe and Mr. Jiang entered into equity transfer agreements with Site Holdings pursuant to which both Mr. Jiang Jinhe and Mr. Jiang agreed to transfer their respective equity interest in Saite Steel (Jiangsu) i.e. RMB3,000,000 and RMB47,000,000 representing 6% and 94% of its paid-up capital to Site Holdings for an aggregate consideration of RMB89,468,400 (the "**Acquisition**"). Such consideration was paid as to 49% by Mr. Jiang (by a loan from Mr. Tong as Mr. Jiang did not have foreign currency) and as to 51% by Mr. Tong, as the ultimate beneficial interest of Site Holdings was held as to 49% by Mr. Jiang and 51% by Mr. Tong through Jiang's Nominee Arrangement and Tong's Nominee Arrangement, respectively. According to a confirmation from 宜興市商務局 (Yixing Bureau of Commerce) (formerly known as 宜興市對外貿易經濟合作局 (Bureau of Foreign Trade and Economic Cooperation of Yixing)) dated 2 November 2012, (i) Saite Steel (Jiangsu) had submitted all relevant documents in relation to the Acquisition as required under the relevant PRC laws and regulations for the application for approval of the Acquisition, and made a completed and accurate explanation in relation to the status of Site Holdings (including, but not limited to, corporate information, registered shareholders, controlling shareholder and whether any relationship existed between Site Holdings and the then shareholders of Saite Steel (Jiangsu) before the Acquisition, namely, Mr. Jiang Jinhe and Mr. Jiang) and the aforementioned trust arrangement in the one share of Site Holdings held on trust by Mr. Toe on behalf of Mr. Jiang as to 49% and Mr. Tong as to 51% and the aforementioned way of payment of consideration for the Acquisition; (ii) 宜興市對外貿易經濟合作局 (Bureau of Foreign Trade and Economic Cooperation of Yixing) had submitted all relevant documents to 江蘇省對外貿易經濟合作廳 (Bureau of Foreign Trade and Economic Cooperation of Jiangsu Province) and made a completed and accurate explanation to 江蘇省對外貿易經濟合作廳 (Bureau of Foreign Trade and Economic Cooperation of Jiangsu Province); (iii) approval for such transfers was obtained on 18 September 2007 from 江蘇省對外貿易經濟合作廳 (Bureau of the Foreign Trade and Economic Cooperation of Jiangsu Province); and (iv) the required procedures to effect the change of Saite Steel (Jiangsu) to a WFOE is legal and valid. Based on the above confirmation and as advised by our PRC Legal Advisers, as the Acquisition was made by Site Holdings which was then controlled by Mr. Tong who is a Hong Kong permanent resident, the Acquisitions was a merger and acquisition of domestic enterprise by a foreign investor and does not involve a PRC resident acquiring a domestic enterprise by a company incorporated in foreign country controlled by him/her which is required to be reported to the Ministry of Commerce for approval pursuant to article 11 of the M&A Rules. As such, our PRC Legal Advisers confirmed that the aforementioned trust arrangement in the one share of Site Holdings held on trust by Mr. Toe on behalf of Mr. Jiang as to 49% and Mr. Tong as to 51% and the aforementioned way of payment of consideration for the

Acquisition has been repeated clearly to the authority according to the requirement of the M&A Rules, and the Joint Sponsors concurred with the view of our PRC Legal Advisers. Furthermore, as the necessary approvals were obtained for Saite Steel (Jiangsu) from the relevant PRC authorities, our PRC Legal Advisers confirmed that the Acquisition is legal and valid. Approval for such transfers was obtained on 18 September 2007 from the relevant PRC regulatory authorities. The Certificate of Approval for Establishment of Enterprises with Foreign Investment in the PRC in respect of the transfers and the updated business licence were granted to Saite Steel (Jiangsu) on 18 September 2007 and 25 September 2007, respectively. Saite Steel (Jiangsu) had duly made an application to the Jiangsu Department of Housing for the change of its 建築業企業資質證書 (Qualification Certificate of Construction Enterprise).

On 8 August 2011, Site Holdings entered into an equity transfer agreement with Modern Day pursuant to which Site Holdings agreed to transfer its entire equity interest in Saite Steel (Jiangsu) i.e. RMB50,000,000 of the paid-up capital to Modern Day. The transfer was properly and legally completed and settled. Modern Day was incorporated on 22 February 2011 in Hong Kong with an authorised capital of HK$10,000 divided into 10,000 ordinary shares of HK$1.00 each. The then issued capital of Modern Day was one ordinary share of HK$1.00 each, which was owned by Site Holdings. Modern Day was an investment vehicle holding interest in Saite Steel (Jiangsu). Other than holding its interests in Site Steel (Jiangsu), Modern Day does not carry on any business. Approval for such transfer was obtained on 22 August 2011 from the relevant PRC regulatory authorities. The Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hong Kong, Macao and Overseas Chinese in the PRC in respect of transfer and the updated business licence were granted to Saite Steel (Jiangsu) on 24 August 2011 and 7 September 2011, respectively.

Each of the transfers was properly and legally completed and settled.

5. Group reorganisation

The companies comprising our Group underwent a reorganisation to rationalise our Group's structure in preparation for the listing of our Shares on the Stock Exchange, which involved the following:

(a) On 31 July 2012, our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with an authorised share capital of HK$380,000 divided into 3,800,000 Shares of HK$0.10 each. On the date of incorporation, our Company issued and allotted one nil paid Share to Codan Trust Company (Cayman) Limited, which was transferred to Keen Luck on the same day.

(b) On 21 June 2012, Saite Steel (BVI) was incorporated in the BVI for the purpose of acting as the intermediate company of our Group with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. On the same day, Saite Steel (BVI) allotted and issued one share to Mr. Jiang, which was transferred to our Company on 9 August 2012.

(c) On 23 July 2012, Saite Steel (HK) was incorporated in Hong Kong with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each, among which one share was issued and allotted to Saite Steel (BVI) at incorporation as part of our Reorganisation.

(d) On 2 July 2012, Yixing Zhicheng was established in the PRC by two Independent Third Parties who are PRC individuals, at the direction of Mr. Jiang, with a registered capital of RMB16,667,000 which was fully paid-up as at 2 July 2012. The registered capital of Yixing Zhicheng was contributed by Mr. Jiang, Mr. YX Jiang, Mr. Tong, Mr. Lai Chau Yung and Ms. Feng Mei at their respective ultimate beneficial interest of Saite Steel (Jiangsu) and these two Independent Third Parties, through Yixing Zhicheng, were holding 25% of the registered capital of Saite Steel (Jiangsu) on behalf of Mr. Jiang, Mr. YX Jiang, Mr. Tong, Mr. Lai Chau Yung and Ms. Feng Mei. The business licence was granted to Yixing Zhicheng on 2 July 2012.

(e) On 4 July 2012, the registered share capital of Saite Steel (Jiangsu) was further increased to RMB66,667,000, which was contributed by Modern Day as to RMB50,000,000 and Yixing Zhicheng as to RMB16,667,000, representing 75% and 25% of the then entire registered capital of Saite Steel (Jiangsu), respectively. The Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hong Kong, Macao and Overseas Chinese in the PRC and the business licence were granted to Saite Steel (Jiangsu) on 11 July 2012 and 26 July 2012, respectively.

(f) On 2 August 2012, an equity transfer agreement was entered into between the two equity owners of Yixing Zhicheng and Saite Steel (HK) pursuant to which the then two equity owners of Yixing Zhicheng agreed to transfer the entire equity interest in Yixing Zhicheng, i.e. RMB16,667,000 of the paid-up capital, to Saite Steel (HK). The Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hong Kong, Macao and Overseas Chinese in the PRC and the business licence were granted to Yixing Zhicheng on 30 October 2012 and 6 November 2012, respectively.

(g) On 10 December 2012, the directors of Modern Day approved the increase of the authorised share capital of Modern Day from HK$10,000 to HK$1,000,000 by the creation of an additional 990,000 new shares of HK$1.00 each in Modern Day. On the same day, 999,998 shares of Modern Day were allotted and issued to Saite Steel (BVI).

Pursuant to a share purchase agreement entered into by Site Holdings as vendor and Saite Steel (BVI) as purchaser dated 28 December 2012, Site Holdings agreed to transfer its shares in Modern Day to Saite Steel (BVI), being two shares of HK$1.00 each, in consideration of and in exchange for which our Company (i) credited as fully paid at par the one nil paid Share held by Keen Luck; and (ii) allotted and issued, at the direction of Saite Steel (BVI), 999,999 Shares credited as fully paid to Keen Luck, at the direction of Site Holdings.

(h) On 5 June 2013, Keen Luck allotted and issued 4,410 shares, 2,340 shares, 1,350 shares and 900 shares of US$1.00 each to each of Champ Origin, Pure Grand, Mr. Lai Chau Yung and Ms. Feng Mei. Their respective interest in Keen Luck remained to be 49%, 26%, 15% and 10%. On the same date, Mr. Lai Chau Yung transferred 865 shares, 459 shares and 176 shares (represented all of his shareholding in Keen Luck) of Keen Luck to each of Champ Origin, Pure Grand and Ms. Feng Mei, respectively. In consideration and in exchange of such transfer, Keen Luck transferred a total of 150,000 Shares to Mr. Lai Chau Yung.

As a result of the above allotment and transfers, Champ Origin, Pure Grand and Ms. Feng Mei were interested in 57.65%, 30.59% and 11.76% in Keen Luck and Keen Luck was in turn interested in 85% of our Company, and Mr. Lai Chau Yung was interested in 15% of our Company. The ultimate beneficial owners of our Company and each of their interest in our Company remained unchanged.

6. Changes in share capital of our subsidiaries

Our subsidiaries are listed in the accountants' report set out in Appendix I to this prospectus.

Save for the alterations described in paragraph 4 above, there is no alteration in the share capital of our subsidiaries which took place within the two years immediately preceding the date of this prospectus.

7. Further information about our Group's PRC establishments

Our Group has interest in the registered capital of two establishments in the PRC. A summary of the corporate information of the companies is set out as follows:

Saite Steel (Jiangsu)

(i)	Name of the enterprise:	江蘇賽特鋼結構有限公司 (Jiangsu Site Steel Structure Co., Ltd.)
(ii)	Economic nature:	Sino-foreign equity joint venture
(iii)	Registered owner:	Modern Day (as to 75%) Yixing Zhicheng (as to 25%)
(iv)	Total investment:	RMB106.667 million
(v)	Registered capital:	RMB66.67 million

(vi)	Attributable interest to our Group:	100%
(vii)	Term of operation:	From 24 September 1998 to 25 July 2062
(viii)	Scope of business:	Manufacturing and installation of colour steel plate and steel structures, professional designing of steel structures for construction, professional designing of decoration steel structures for construction, research and development and production of materials of prefabricated frame structures, and professional contractor of steel structure project according to Grade One qualification (for the aforesaid scope related to special approval would be operated according to valid qualification certificate)

Yixing Zhicheng

(i)	Name of the enterprise:	宜興市至誠諮詢有限公司 (Yixing City Zhicheng Consultation Company Limited*)
(ii)	Economic nature:	Wholly foreign-owned enterprise
(iii)	Registered owner:	Saite Steel (HK)
(iv)	Total investment:	RMB16.67 million
(v)	Registered capital:	RMB16.67 million
(vi)	Attributable interest to our Group:	100%
(vii)	Term of operation:	From 2 July 2012 to 5 November 2042
(viii)	Scope of business:	Corporate management consultancy services

8. Repurchase by our Company of our own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by us of our own securities.

(a) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholder, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to a resolution in writing passed by our Shareholders on 11 October 2013, the Repurchase Mandate was given to our Directors authorising any repurchase by our Company of Shares on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Share Option Scheme, such mandate to expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or applicable Cayman Islands law to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first.

(b) Source of funds

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles and the Companies Law. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under the Cayman Islands laws, any repurchases by us may be made out of our profits, our share premium account or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorised by the Articles and subject to the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be repurchased must be provided for out of either or both of our profits or our share premium account or, if authorised by the Articles and subject to the Companies Law, out of capital.

(c) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and our Shareholders.

(d) Funding of repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account our current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

(e) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No connected person of our Company has notified us that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

9. Registration under Part XI of the Companies Ordinance

Our Company has established our head office and a principal place of business in Hong Kong for the purpose of registration under Part XI of the Companies Ordinance at Unit 6105, 61/F, The Center, 99 Queen's Road Central, Hong Kong. Our Company has been registered as an oversea company under Part XI of the Companies Ordinance. Mr. Wong Kwok Kuen, our company secretary and chief financial officer has been appointed as agent of our Company for the acceptance of service of process in Hong Kong.

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

10. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of our Group within the two years preceding the date of this prospectus and are or may be material:

(a) an equity transfer agreement dated 2 August 2012 and entered into between Mr. Wang Guoqiang (王國強) as vendor and Saite Steel (HK) as purchaser, pursuant to which Mr. Wang Guoqiang (王國強) agreed to transfer his 60% equity interest in Yixing Zhicheng (i.e. registered capital of RMB10,000,000) to Saite Steel (HK) at a consideration of RMB10,000,000;

(b) an equity transfer agreement dated 2 August 2012 and entered into between Mr. Wang Huaqiang (王華強) as vendor and Saite Steel (HK) as purchaser, pursuant to which Mr. Wang Huaqiang (王華強) agreed to transfer his 40% equity interest in Yixing Zhicheng (i.e. registered capital of RMB6,667,000) to Saite Steel (HK) at a consideration of RMB6,667,000;

(c) a share purchase agreement dated 28 December 2012 and entered into by Site Holdings as vendor, our Controlling Shareholders as warrantors, Saite Steel (BVI) as purchaser and our Company, pursuant to which Saite Steel (BVI) acquired from Site Holdings two shares of HK$1.00 each in Modern Day, in consideration of and in exchange for which our Company, at the direction of Site Holdings, (i) allotted and issued, credited as fully paid, 999,999 Shares to Keen Luck; and (ii) credited as fully paid at par the one nil paid Share then held by Keen Luck;

(d) a deed of indemnity dated 21 October 2013 executed by Mr. Jiang, Mr. YX Jiang, Keen Luck and Champ Origin in favour of our Company (for itself and as trustee for its subsidiaries) containing the indemnities more particularly referred to in the paragraph headed "Estate duty, tax and other indemnities" of this Appendix; and

(e) the Hong Kong Public Offer Underwriting Agreement.

11. Intellectual property rights of our Group

Trademarks

As at the Latest Practicable Date, our Group is the registered proprietor and beneficial owner of the following trademarks in Hong Kong:

No.	Trademark	Registered owner	Place of registration	Class	Registration number	Duration of validity
1.	"A" "B"	Modern Day	Hong Kong	6, 37	302293128	22 June 2012 – 21 June 2022
2.	Saite	Modern Day	Hong Kong	6, 37	302293119	22 June 2012 – 21 June 2022

As at the Latest Practicable Date, applications had been made by our Group for the registration of the following trademarks:

No.	Trademark	Applicant	Place of application	Class	Application number	Application date
1.		Saite Steel (Jiangsu)	PRC	6	11841754	4 December 2012
2.		Saite Steel (Jiangsu)	PRC	37	11841862	4 December 2012

No.	Trademark	Applicant	Place of application	Class	Application number	Application date
3.	Saite	Saite Steel (Jiangsu)	PRC	6	10885582	8 May 2012
4.	Saite	Saite Steel (Jiangsu)	PRC	37	11841584	4 December 2012
5.	"A" SAITE GROUP "B" SAITE GROUP	Modern Day	Hong Kong	6, 37	302695500	6 August 2013

Notes:

The specific services under class 6 in respect of which these trademarks were registered or applied for registration are common metal alloy; steel pipes; wall hooks of metal for pipes; accessories of metal for building; metal building materials; steel moulds; metal pipe connectors and accessories of metal for household furniture.

The specific services under class 37 in respect of which these trademarks were registered or applied for registration are construction of steel structures; steel construction; building construction services; provision of information relating to construction and repair; repair and maintenance of accessories of building construction and mining extraction.

Patents

As at the Latest Practicable Date, our Group had the exclusive right to use, among others, the following patents which are the major intellectual properties used in our business operations:

No.	Patent	Registered owner	Place of registration	Type	Registration number	Duration of validity
1.	大型單元裝配式夾芯裝飾板 (Large unit assembled sandwich decoration board)	江蘇金砼預製裝配建築發展有限公司	PRC	Invention	ZL 200710023502.6	6 June 2007 to 5 June 2027
2.	預製組裝式保溫牆體 (Prefabricated assembly type heat insulated wall)	江蘇金砼預製裝配建築發展有限公司	PRC	Utility	ZL 200920046133.7	31 May 2007 to 30 May 2019
3.	柱、樑、牆一體預製內保溫牆體 (Integrated prefabricating thermal insulation wall by pillar, girder and wall)	江蘇金砼預製裝配建築發展有限公司	PRC	Utility	ZL 200920282753.0	28 December 2009 to 27 December 2019

Note: We entered into a licensing agreement with 江蘇金砼預製裝配建築發展有限公司 on 1 August 2012. Pursuant to the agreement, we were granted the exclusive right to use the patents at a gratuitous basis for a period from the date of the agreement to the expiry date of the patents.

12. Connected transactions and related party transactions

Save as disclosed in note 37 to the Accountants' Report, the text of which is set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, we have not engaged in any other material connected transactions or related party transactions.

FURTHER INFORMATION ABOUT DIRECTORS AND SHAREHOLDERS

13. Directors

(a) Disclosure of interests of Directors

(i) Mr. Jiang is interested in our Reorganisation.

(ii) Save as disclosed in this prospectus, none of our Directors or their associates was engaged in any dealings with our Group during the two years preceding the date of this prospectus.

(b) Particulars of Directors' service contracts

Executive Directors

Each of our executive Directors has entered into a service contract with our Company pursuant to which they agreed to act as executive Directors for an initial term of three years with effect from 1 November 2013. The term of service shall be renewed and extended automatically by one year on the expiry of such initial term and on the expiry of every successive period of one year thereafter, unless either party has given at least three months' written notice of non-renewal before the expiry of the then existing term.

Each of our executive Directors is entitled to a basic salary as set out below (subject to an annual increment after 1 November 2014 at the discretion of our Directors of not more than 10% of the annual salary immediately prior to such increase). In addition, each of the executive Directors is also entitled to a discretionary management bonus provided that the aggregate amount of the bonuses payable to all the executive Directors for any financial year of our Company may not exceed 5% of the audited combined or consolidated audited net profit of our Group (after taxation and minority interests and payment of such bonuses but before extraordinary items) in respect of that financial year of our Company. An executive Director may not vote on any resolution of our Directors regarding the amount of the management bonus payable to him. The current basic annual salaries of our executive Directors are as follows:

Name	**Annual salary** *(HK$)*
Mr. Jiang Jianqiang	240,000
Mr. Shao Xiaoqiang	240,000
Mr. Wu Yimin	240,000

Independent non-executive Directors

Each of our independent non-executive Directors has been appointed for an initial term of two years commencing from 1 November 2013 renewable automatically for successive term of one year each commencing from the next day after the expiry of the then current term of appointment, unless terminated by not less than three months' notice in writing served by either our independent non-executive Director or our Company expiring at the end of the initial term or at any time thereafter. Each of our independent non-executive Directors is entitled to a director's fee of HK$120,000 per annum. Save for directors' fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as disclosed aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(c) Remuneration of Directors

(i) The aggregate emoluments paid by our Group to our Directors in respect of the financial year ended 31 December 2012 were approximately RMB305,000.

(ii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by our Directors (including our independent non-executive Directors) for the year ending 31 December 2013, are expected to be approximately RMB543,000.

(iii) None of our Directors or any past directors of any member of our Group has been paid any sum of money for each of the three years ended 31 December 2012 as (i) an inducement to join or upon joining our Company; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

(iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended 31 December 2012.

(d) Interests and short positions of our Directors in the Shares, underlying Shares or debentures of our Company and our associated corporations following the Global Offering

Immediately following completion of the Global Offering and the Capitalisation Issue and taking no account of any Shares which may be allotted and issued pursuant to the Share Option Scheme or the exercise of the Over-allotment Option, the interests or short positions of our Directors in the Shares, underlying Shares or debentures of our

Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to notify our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

(i) Interest in our Company

Name of Director	Capacity/Nature of interest	Number of securities(Note 1)	Approximate percentage of shareholding
Mr. Jiang Jianqiang	Interest of a controlled corporation(Notes 2 and 3)	1,020,000,000 Shares (L)	63.75%

Notes:

1. The letter "L" denotes our Director's long position in the shares of our Company or the relevant associated corporation.

2. These Shares were held by Keen Luck, which was owned as to 57.65% by Champ Origin, 30.59% by Pure Grand and 11.65% by Ms. Feng Mei (an Independent Third Party).

3. Champ Origin was owned as to 51% by Mr. Jiang and 49% by Mr. YX Jiang.

(ii) Interest in Keen Luck

Name of Director	Capacity/Nature of interest	Number of securities	Approximate percentage of shareholding
Mr. Jiang Jianqiang	Interest of controlled corporation(Note 2)	5,535 shares of US$1.00 each (L)	57.65%

Notes:

1. The letter "L" denotes our Director's long position in the shares of Keen Luck.

2. These shares were held by Champ Origin, which was owned as to 51% by Mr. Jiang and 49% by Mr. YX Jiang.

14. Interest discloseable under the SFO and substantial shareholders

So far as our Directors are aware, immediately following the completion of the Global Offering and the Capitalisation Issue (but without taking into account of any Shares which may be taken up under the Global Offering and any Shares which may be allotted and issued upon the exercise of the Over-allotment Option), other than a Director or chief executive of our Company whose interests are disclosed under the sub-paragraph headed "Interests and short positions of our Directors in the Shares, underlying Shares or debentures of our Company and our associated corporations following the Global Offering" above, the following persons will have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and who will be expected, directly or indirectly, to be interested in 10% or more of the Shares:

Name of Shareholders	Capacity/Nature of interest	Number of securities *(Note 1)*	Approximate percentage of shareholding
Keen Luck	Beneficial owner	1,020,000,000 Shares (L)	63.75
Mr. Lai Chau Yung	Beneficial owner	180,000,000 Shares (L)	11.25
Champ Origin	Interest of a controlled corporation *(Note 2)*	1,020,000,000 Shares (L)	63.75
Ms. Zhou Xiaoying	Interest of spouse *(Note 4)*	1,020,000,000 Shares (L)	63.75
Mr. YX Jiang	Interest of a controlled corporation *(Notes 2 and 3)*	1,020,000,000 Shares (L)	63.75

Notes:

1. The letter "L" denotes a person's "long position" (as defined under Part XV of the SFO) in such Shares, respectively.

2. These Shares were held by Keen Luck, which was owned as to 57.65% by Champ Origin, 30.59% by Pure Grand and 11.76% by Ms. Feng Mei (an Independent Third Party).

3. Champ Origin was owned as to 51% by Mr. Jiang and 49% by Mr. YX Jiang.

4. Ms. Zhou Xiaoying is the spouse of Mr. Jiang.

15. Disclaimers

Save as disclosed in this prospectus:

(a) and taking no account of any Shares which may be taken up or acquired under the Global Offering or upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering and the Capitalisation Issue, have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of us;

(b) none of our Directors has any interest or short position in any of the shares, underlying shares or debentures of our Company or any associated corporations within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the Shares are listed;

(c) none of our Directors nor any of the parties listed in the paragraph 23 has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any other member of us nor will any Director apply for the Offer Shares either in his/her own name or in the name of a nominee;

(d) none of our Directors nor any of the parties listed in paragraph 23 below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to business of us; and

(e) save in connection with the Underwriting Agreements, none of the parties listed in paragraph 23 below:

    (i) is interested legally or beneficially in any securities of any member of us; or

    (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of us.

OTHER INFORMATION

16. Share Option Scheme

(a) Summary of terms

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by our Shareholders on 11 October 2013:

(i) Purposes of the scheme

The purpose of the Share Option Scheme is to enable us to grant options to selected participants as incentives or rewards for their contribution to us. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable us to reward the employees, our Directors and other selected participants for their contributions to us. Given that our Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by our Directors, it is expected that grantees of an option will make an effort to contribute to our development so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

(ii) Who may join

Our Directors (which expression shall, for the purpose of this paragraph 16, include a duly authorised committee thereof) may, at its absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

(aa) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of our Company, any of our subsidiaries or any entity (the "**Invested Entity**") in which any member of our Group holds an equity interest;

(bb) any non-executive directors (including independent non-executive directors) of our Company, any of our subsidiaries or any Invested Entity;

(cc) any supplier of goods or services to any member of our Group or any Invested Entity;

(dd) any customer of any member of our Group or any Invested Entity;

(ee) any person or entity that provides research, development or other technological support to our Group or any member of any Invested Entity;

(ff) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;

(gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and

(hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group,

and, for the purposes of the Share Option Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants. For avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of participants shall not, by itself, unless our Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above class of participants to the grant of any option shall be determined by our Directors from time to time on the basis of our Directors' opinion as to his contribution to the development and growth of our Group.

(iii) Maximum number of Shares

(aa) The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by our Group must not exceed 30% of the issued share capital of our Company from time to time.

(bb) The total number of Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the Shares in issue at the time dealings in the Shares first commence on the Main Board (the "**General Scheme Limit**").

(cc) Subject to (aa) above but without prejudice to (dd) below, our Company may seek approval of our Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share options scheme of our Group must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit and for the purpose of calculating the refreshed limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted.

(dd) Subject to (aa) above and without prejudice to (cc) above, our Company may seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the extended limit referred to in (cc) above to participants specifically identified by our Company before such approval is sought,

and, for the purpose of seeking the approval of our Shareholders under (cc) and (dd) above, our Company must send a circular to our Shareholders containing a general description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(iv) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being (the "**Individual Limit**"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to our Shareholders and our Shareholders' approval in general meeting of our Company with such participant and his associates abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders' approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

(v) Grant of options to connected persons

(aa) Any grant of options under the Share Option Scheme to a director, chief executive or substantial shareholder of our Company or any of their respective associates (as defined under the Listing Rules) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who or whose associates is the grantee of the options).

(bb) Where any grant of options to a substantial shareholder of our Company or an independent non-executive Director or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million;

such further grant of options must be approved by our Shareholders in general meeting. For the purpose of seeking such approval, our Company must send a circular to our Shareholders. All connected persons of our Company must abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such options must be taken on a poll. Any change in the terms of options granted to a substantial shareholder of our Company or an independent non-executive Director or any of their respective associates must be approved by our Shareholders in general meeting.

(vi) Time of acceptance and exercise of option

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vii) Performance targets

Unless our Directors otherwise determined and stated in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(viii) Subscription price for Shares and consideration for the option

The subscription price for Shares under the Share Option Scheme will be a price determined by our Directors, but shall not be less than the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a Share.

A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

(ix) Ranking of Shares

(aa) Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles and will rank pari passu in all respects with the fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted upon the exercise of an option shall not carry voting rights until the completion of the registration of the grantee on the register of members of our Company as the holder thereof.

(bb) Unless the context otherwise requires, references to "Shares" in this paragraph include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or reduction of the share capital of our Company from time to time.

(x) Restrictions on the time of grant of options

No offer for grant of options shall be made after inside information has come to the knowledge of our Company until we have announced the information in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (aa) the date of the meeting of our Directors for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (bb) the last date on which our Company must publish its an announcement of its results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the announcement of the results, no option may be granted.

Our Directors may not grant any option to a participant who is a Director during the periods or times in which Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(xi) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

(xii) Rights on ceasing employment

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or for one or more grounds referred to in sub-paragraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and will not be exercisable unless our Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as our Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not.

Eligible Employee means any employee (whether full time or part time employee, including any executive director but excluding any non-executive director) of our Company, any of our subsidiaries or any Invested Entity.

(xiii) Rights on death, ill-health or retirement

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation which date shall be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as our Directors may determine.

(xiv) Rights on dismissal

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason that he has been guilty of serious misconduct or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or our Group or the Invested Entity into disrepute), his option will lapse automatically and will not in any event be exercisable on or after the date of cessation to be an Eligible Employee.

(xv) Rights on breach of contract

If our Directors shall at their absolute discretion determine that (aa) (1) the grantee of any option or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and any member of our Group or any Invested Entity on the other part; or (2) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) the grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by other reason whatsoever; and (bb) the option granted to the grantee under the Share Option scheme shall lapse as a result of (1), (2) or (3) above.

(xvi) Rights on a general offer, a compromise or arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to the Shareholders, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option at any time before the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date on which such offer (or, as the case may be, revised offer) closes or the relevant record date for entitlements under the scheme of arrangement, as the case may be.

(xvii)Rights on winding up

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolution is to be considered and/or passed whereupon the grantee shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation pari passu with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

(xviii) Grantee being a company wholly owned by eligible participants

If the grantee is a company wholly owned by one or more eligible participants:

(i) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options to such grantee, mutatis mutandis, as if such options had been granted to the relevant eligible participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant eligible participant; and

(ii) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant eligible participant provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xix) Adjustments to the subscription price

In the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of capital of our Company whilst an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of or an independent financial adviser to our Company as fair and reasonable will be made to the number or nominal amount of Shares, the subject matter of the Share Option Scheme and the option so far as unexercised and/or the option price of the option concerned, provided that (i) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such alteration; (ii) the issue of Shares or other securities of our Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment; and (iii) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. In addition, in respect of any such adjustments, other than any made on a capitalisation issue, such auditors or independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules.

(xx) Cancellation of options

Any cancellation of options granted but not exercised must be subject to the prior written consent of the relevant grantee and the approval of our Directors.

When our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by our Shareholders pursuant to sub-paragraphs (iii) (cc) and (dd) above.

(xxi) Termination of the Share Option Scheme

Our Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xxii) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable.

(xxiii) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

(aa) the expiry of the period referred to in paragraph (vi); and

(bb) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvi), (xvii) and (xviii).

(xxiv) Others

(aa) The Share Option Scheme is conditional upon the Listing Committee granting the listing of and permission to deal in, such number of Shares representing the General Scheme Limit to be allotted and issued by our Company pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme.

(bb) The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of the shareholders in general meeting.

(cc) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by our Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(dd) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

(ee) Any change to the authority of our Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by our Shareholders in general meeting.

(b) Present status of the Share Option Scheme

(i) Approval of the Listing Committee required

The Share Option Scheme is conditional on the Listing Committee granting the listing of, and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(ii) Application for approval

Application has been made to the Listing Committee for the listing of and permission to deal in the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(iii) Grant of option

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(iv) Value of options

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

17. Estate duty, tax and other indemnities

Our Controlling Shareholders (together, the "**Indemnifiers**") have entered into a deed of indemnity with and in favour of our Company (for itself and as trustee for each of our present subsidiaries) (being the material contract (d) referred to in paragraph 10 above) to provide indemnities on a joint and several basis in respect of, among other matters:

(a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group on or before the Listing Date;

(b) tax liabilities (including all fines, penalties, costs, charges, expenses and interests incidental or relating to taxation) which might be payable by any member of our Group in respect of any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or before the Listing Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm, company or corporation;

(c) any liabilities arising from the non-compliance with article 15 of the Construction FI Regulations; and

(d) any liabilities arising from the Non-Compliant Bill Financing arrangements.

The Indemnifiers are under no liability under the deed of indemnity in respect of any taxation:

(a) to the extent that provision has been made for such taxation in the audited accounts of any member of our Group for any accounting period up to 30 June 2013;

(b) to the extent that such taxation or liability falling on any of the members of our Group in respect of their accounting periods or any accounting period commencing on or after 1 July 2013 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily effected by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, other than any such act, omission or transaction:

    (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 1 July 2013; or

    (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before 30 June 2013 or pursuant to any statement of intention made in the prospectus; or

(c) to the extent that such taxation liabilities or claim arises or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations, or the interpretation or practice thereof by the Inland Revenue Department of Hong Kong or the taxation authority of the PRC or any other relevant authority (whether in Hong Kong or the PRC or any other part of the world) coming into force after the date of the deed of indemnity or to the extent such claim arises or is increased by an increase in rates of taxation after the date of the deed of indemnity with retrospective effect; or

(d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to 30 June 2013 and which is finally established to be an over-provision or an excessive reserve in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

18. Litigation

No member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company, that would have a material adverse effect on our results of operations or financial condition of our Company.

19. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately US$5,400 and are payable by our Company.

20. Promoter

(a) Our Company does not have any promoter.

(b) Within the two years preceding the date of this prospectus, no amount or benefit has been paid or given to any promoters of our Company in connection with the Global Offering or the related transactions described in this prospectus.

21. Agency fees or commissions received

The commission payable to the Underwriters in relation to the Global Offering will be borne by our Company. The Underwriters will receive an underwriting commission at the rate of 4.5% of the aggregate Offer Price payable for the Offer Shares (including Shares to be issued pursuant to the Over-allotment Option), out of which they pay any sub-underwriting commissions. In addition, an additional incentive fee of 0.75% of the Offer Price of all the Offer Shares will be paid to the Joint Global Coordinators, if the Over-allotment Option is exercised subject to the terms of the Underwriting Agreements.

The underwriting commissions, listing fees, Stock Exchange trading fee and transaction levy, legal and printing and other professional fees and other expenses relating to the Global Offering are estimated to amount to approximately HK$51.1 million in total paid and payable by our Company, based on the mid-point of the indicative range of the Offer Price of HK$1.14 per Share, and assuming that the Over-allotment Option is not exercised.

22. Joint Sponsors

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares which may be issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme, being 10% of the Shares in issue on the Listing Date, on the Stock Exchange. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

23. Qualifications of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus:

Name	Qualification
DBS	Licensed corporation under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities
Kim Eng	Licensed corporation under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities
Deloitte Touche Tohmatsu	Certified Public Accountants
Conyers Dill & Pearman (Cayman) Limited	Cayman Islands attorneys-at-law
Jingtian & Gongcheng Attorneys at Law	Qualified PRC lawyers

24. Consents of experts

Each of DBS, Kim Eng, Deloitte Touche Tohmatsu, Conyers Dill & Pearman (Cayman) Limited and Jingtian & Gongcheng Attorneys at Law has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their report and/or letter and/or legal opinion (as the case may be) and the references to their names or summaries of opinions included herein in the form and context in which they respectively appear.

25. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

26. Taxation of holders of Shares

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Under present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

27. Miscellaneous

(a) Save as disclosed in this prospectus:

(i) within two years preceding the date of this prospectus:

(aa) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;

(cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in our Company or any of our subsidiaries; and

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(b) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 30 June 2013 (being the date to which the latest audited consolidated financial statements of our Group were made up).

(c) our Directors confirm that there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

28. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses for Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) the written consents referred to in the paragraph headed "Consents of experts" in Appendix V to this prospectus; and

(c) copies of the material contracts referred to in the paragraph headed "Summary of material contracts" in Appendix V to this prospectus.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Chiu & Partners at 40/F., Jardine House, 1 Connaught Place, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum and the Articles;

(b) the accountants' report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;

(c) the audited financial statements of companies comprising our Group for each of the three financial years ended 31 December 2012 (or the period since their respective dates of incorporation of the relevant member of our Group where it is shorter), if any;

(d) the letter prepared by Deloitte Touche Tohmatsu on unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;

(e) the letters relating to profit forecast prepared by Deloitte Touche Tohmatsu and the Joint Sponsors, the text of which are set out in Appendix III to this prospectus;

(f) the Companies Law;

(g) the letter of advice prepared by Conyers Dill & Pearman (Cayman) Limited summarising certain aspects of Cayman Islands company law as referred to in Appendix IV to this prospectus;

(h) the legal opinions prepared by our PRC Legal Advisers in respect of certain aspects of our Group and the property interests of our Group in the PRC;

(i) the material contracts referred to in the paragraph headed "Summary of material contracts" in Appendix V to this prospectus;

(j) the service contracts referred to in the paragraph headed "Particulars of Directors' service contracts" in Appendix V to this prospectus;

(k) the rules of the Share Option Scheme; and

(l) the written consents referred to in the paragraph headed "Consents of experts" in Appendix V to this prospectus.

China Saite Group Company Limited
中國賽特集團有限公司