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

(incorporated in the Cayman Islands with limited liability)

SAITE GROUP

Stock Code : 153

Annual Report 2013

Contents

Corporate Profile

China Saite Group Company Limited ("China Saite" or the "Company", together with its subsidiaries the "Group") is an integrated steel structure and prefabricated construction solution service provider headquartered in Yixing, Jiangsu Province, the People's Republic of China (the "PRC"). It has an operation history of over 15 years. The Group's integrated construction solution services are customised to meet the technical specifications and requirements of different projects, and span from fabrication to assembly of steel structure parts and prefabricated construction materials at workshops, and to the installation of materials onsite. According to an industry report prepared by Ipsos Hong Kong Ltd. ("Ipsos Report"), China Saite was the second largest prefabricated construction service provider and the third largest steel structure construction service provider in Jiangsu Province, in terms of revenue in 2012.

The Group commenced to undertake prefabricated construction projects in late 2010 and enjoys a first mover advantage in the PRC prefabricated construction industry. Prefabricated construction is one of the advanced types of construction method deploying a majority of structural components pre-produced and standardised in factory for assembly readily at the work site. The Group's prefabricated construction solution was mainly provided to social security housing projects Jiangsu Province, in the PRC.

China Saite has been accredited as a Grade One Steel Structure Engineering Professional Contractor, the highest national qualification, by the Ministry of Housing since November 2005. This enables China Saite to undertake all kinds of steel structure projects without limitation in span, contract sum, construction area or total weight of construction in the PRC. The Group has participated in a wide range of steel structure projects, including bridges, train stations, stadiums, exhibition centres, factory premises etc.

Corporate Information

DIRECTORS

Executive Directors

Mr. Jiang Jianqiang *(Chairman)*
Mr. Shao Xiaoqiang *(Chief Executive Officer)*
Mr. Wu Yimin

Independent non-executive Directors

Mr. Xu Jiaming
Mr. Chen Tiegang
Mr. Ma Chun Fung Horace

COMPANY SECRETARY

Mr. Wong Kwok Kuen *CPA*

AUTHORISED REPRESENTATIVES

Mr. Jiang Jianqiang
Mr. Wong Kwok Kuen

AUDIT COMMITTEE

Mr. Ma Chun Fung Horace *(Chairman)*
Mr. Xu Jiaming
Mr. Chen Tiegang

REMUNERATION COMMITTEE

Mr. Chen Tiegang *(Chairman)*
Mr. Ma Chun Fung Horace
Mr. Shao Xiaoqiang

NOMINATION COMMITTEE

Mr. Jiang Jianqiang *(Chairman)*
Mr. Xu Jiaming
Mr. Chen Tiegang

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

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS AS TO HONG KONG LAW

Chiu & Partners

COMPLIANCE ADVISER

Kim Eng Securities (Hong Kong) Limited

PRINCIPAL BANKERS

China Construction Bank (Yixing Gaocheng Branch)
Agricultural Bank of China (Yixing Chengzhong Branch)
Jiangsu Yixing Rural Commercial Bank (Gaocheng Branch)
Bank of Shanghai (Wuxi Branch)

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
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

STOCK CODE

153

COMPANY WEBSITE

www.chinasaite.com.cn

Chairman's Statement

Mr. Jiang Jianqiang, Chairman

The Group has taken initiatives to seize market share, maintain product quality, and strengthen its brand name while capturing development opportunities arising from favourable conditions brought about by government policies. In 2013, the Group's two major businesses spearheaded at a rapid pace.

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China Saite, I hereby present to you the Group's first annual report for the year ended 31 December 2013 since our listing on 1 November 2013.

As one of the leading integrated construction projects service providers in the PRC, the Group has been committed to undertaking steel structure projects and prefabricated construction projects. According to the Ipsos Report, the Group was the second largest prefabricated construction service provider and the third largest steel structure construction provider in Jiangsu Province, the PRC, both in terms of revenue in 2012.

In 2011, the Ministry of Housing of the PRC officially announced the 12th Five-Year Plan (2011–2015) for the construction industry. The plan proposed to increase the total construction volume with production value (i.e. incremental value) of over 15% per annum, and render more support for large construction enterprises to enhance their competitive edges. While Chinese economy entered a stable development phase in 2013 from a period of rapid growth, fixed asset investments and demand for infrastructure development remained robust. Supported by the government's favourable policies, the Group's business is expected to grow further.

In connection with steel structure construction, the PRC Government launched multiple policies to support the development of steel structure under the 12th Five-year Plan. The steel structure consumption is targeted to reach approximately 10% of the total steel production in 2015 compared to approximately 4.5% in 2011. Emphases have been placed on energy conservation, enhancing the design of steel structure for modern residential housing and advancing technologies involved in the steel structure industry. Such plan also aims at gradually realising the target of steel structure consumption of approximately 10% of the total nationwide steel production, and steel structure residential housing construction to reach approximately 15% of residential gross floor area. The PRC Government will continue to propel urbanisation and plans to invest approximately RMB6.2 trillion in transportation infrastructure, which will undoubtedly promote the further growth of the steel structure business of the Group.

For the prefabricated construction, the PRC Government encourages its development in collaboration with the urbanisation strategies to expedite the construction of indemnificatory housing. By 2016, 30% of indemnificatory apartments in Chinese cities and towns will be constructed by means of prefabricated construction. With regard to the goal of the PRC Government to build 36 million affordable housing units during 12th Five-year Plan, two-thirds of the goal was accomplished in the first three years and over 7 million units are expected to commence construction in 2014. As a leading prefabricated construction enterprise in Jiangsu Province, the Group's prefabricated construction business is expected to benefit from such measure to boost the industry-specific development.

The Group has taken initiatives to seize market share, maintain product quality, and strengthen its brand name while capturing development opportunities arising from favourable conditions brought about by government policies. In 2013, the Group's two major businesses spearheaded at a rapid pace. For the year ended 31 December 2013, the contract amount of steel structure projects undertaken by the Group increased as compared against that in 2012. For the total prefabricated construction business, due to the merits of the prefabricated construction business, including better prefabrication capacity in factory, higher accuracy, higher shock resistance, shorter construction lead-time, and less construction consumption waste, as well as supportive government policies, the Group placed additional emphasis on the development of its prefabricated construction business. Income contribution from prefabricated construction business increased substantially in 2013. This segment is expected to be a growth engine for the Group's future development and a main uptrend in the construction industry.

In 2013, the Group's revenue increased by approximately 36.2% to approximately RMB1,427 million compared to that in 2012. Profit attributable to owners of the Company increased by approximately 44.3% to RMB294 million, higher than the profit forecast in the prospectus. Basic earnings per share of the Company (the "Share") were RMB23.21 cents. Pursuant to the dividend policy disclosed in the Prospectus, the Group recommends to distribute approximately 30% of its distributable dividends to shareholders for the financial years ended 31 December 2013 and 31 December 2014. The Board is pleased to recommend the payment of a final dividend of RMB5.5 cents (equivalent to HK7.1 cents) per Share for the year ended 31 December 2013.

Looking ahead, we believe enormous development potential exists in the PRC steel structure and prefabricated construction industry under the strong support of favourable policies. Our experienced and dedicated management team, along with a wide range of services and reliable project management, has laid a solid foundation for us to further expand the steel structure business and total prefabricated construction business. We believe the Group will solidify its leading position in the industry and continue to increase the proportion of its market presence.

In terms of future development strategies, we intend to advance the steel structure business and the prefabricated construction business. On the steel structure business front, we plan to recruit new employees and provide training to new and existing employees, establish representative offices, and extend footprint into second- and third-tier cities that present business opportunities, such as Guizhou and Hubei, and eventually increase our market share. We also target to expand our production capacity to meet the growing demand and expand our business domain to cover eco-friendly steel structure components. We plan to focus on high-end steel structure business, such as bridges and high-rise buildings. As for the prefabricated construction business, we plan to market our services in the neighboring urban areas to further increase our market share in Eastern China. Meanwhile, we will target to apply our own patented technologies in the prefabricated construction and extended to these provinces and regions.

I would like to take this opportunity to express my appreciation to our staff for their unrelenting effort in laying a solid foundation for the success of the Group. I would also like to express my gratitude to our shareholders for their full support to the Company. The Group will strive to upkeep its leading position and proactively explore new business opportunities with potential to generate fruitful returns to shareholders.

Jiang Jianqiang
Chairman

Hong Kong, 17 March 2014

Management Discussion and Analysis

Shandong Zaozhuang Stadium (山東棗莊嶧城區體育場)

BUSINESS REVIEW

The Group is an integrated steel structure and prefabricated construction solution provider. Our integrated construction solution services are customised to meet the technical specifications and requirements of different projects and customer demand, by providing a wide scope of services, including design for customers, secondary detailed design, compilation, installation, and after-sales services.

Our steel structure solution mainly focuses on the construction of large-scale public structures (such as sports stadiums, convention and exhibition centres, airports, and railway stations), bridges (such as railway bridges, highway bridges, landscape bridges, cross-river bridges and cross-sea bridges), large-scale factory premises, industrial park zones, logistics park zones, etc.

Our prefabricated constructure solution mainly focuses on the construction of social security housings and public structure projects in the urbanisation process propelled by the PRC Government.

Steel structure

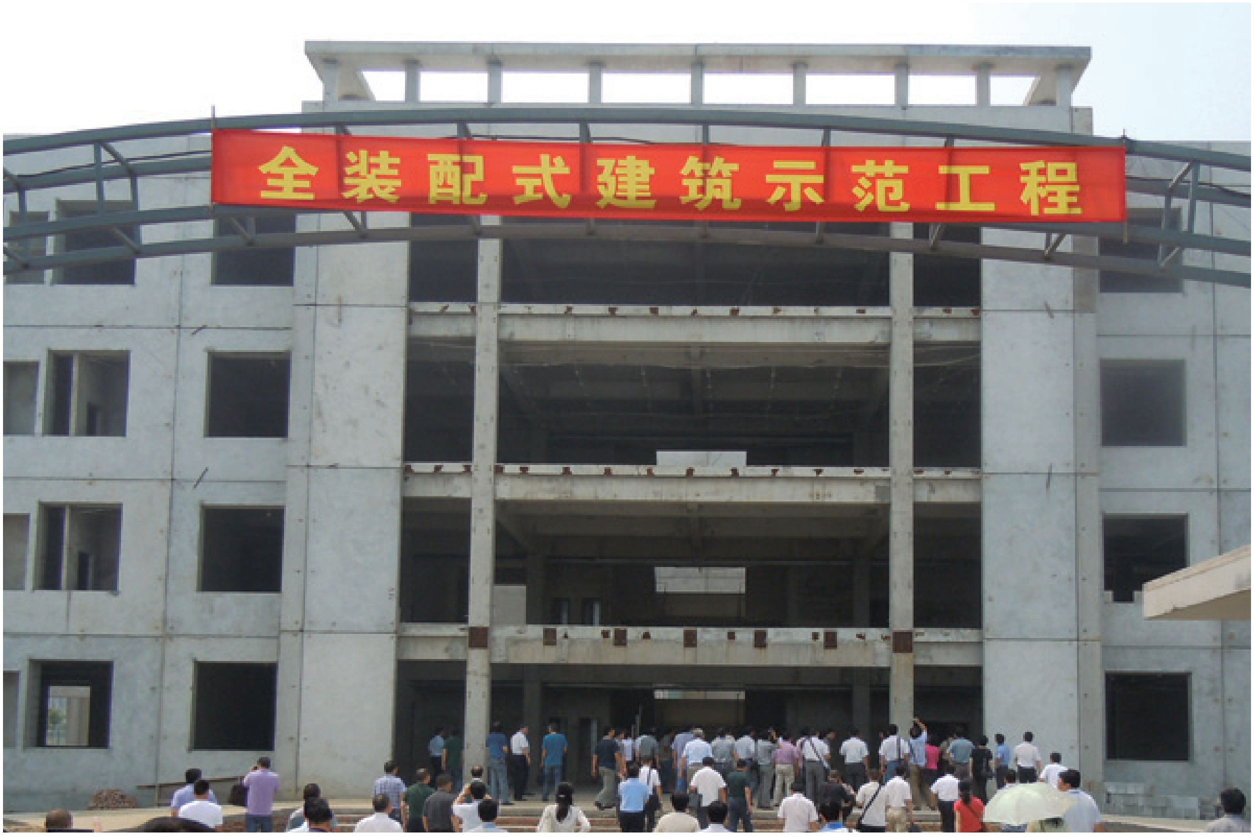
Steel structure is featured by its strength, durability, layout flexibility, low pollution, recyclability, and other properties and has been widely applied to factory premises, bridges, sports stadiums, convention and exhibition centres, airports, railway stations and other various infrastructures since the development of the PRC's modern steel structure in the late 1990s.


Suzhou Anderson Bridge (蘇州安德遜大橋)

The implementation of the 12th Five-Year Plan, as well as the urbanisation in the PRC, has created a huge market potential for steel structure construction business. Leveraging on our advantages in talents and brand recognition over the past 15 years, the Group secured and completed a number of steel structure projects in various applications, such as factories, bridges and 4S automobile dealership stores. Furthermore, in 2011 the PRC Government has expressly stated to invest approximately RMB6.2 trillion in transportation infrastructures in the next few years, wherein a few steel box-beam bridges of Suzhou Tram as part of the aforesaid investments by the PRC Government in the transportation infrastructures which were in line with the national policies of the PRC have been successfully completed by the Group in 2013. These steel box-beam bridges are located within Suzhou High and New Technology Park and their construction required a high level of techniques in terms of construction molding and welding. The Group has been able to secure and complete these projects, thus proving its excellent execution ability and a growing recognition from the relevant parties concerned.

In 2013, the Group obtained and completed a number of steel structure projects, the completed projects in 2013 are summarised as follows:

Types of project	Number of projects
Factory, plants	11
Office building	1
4S automobile dealership store	1
Public utilities — stadium	1
Public utilities — bridges	3
Export orders of steel structure	2
Total	**19**



Factory of Taiyuan Environmental Protection Company (泰源環保公司), Yixing City, Jiangsu
— A demonstration project of prefabricated construction in 2011

As at 31 December 2013, the steel structure projects which are in progress are summarised as follows:

Types of project	Number of projects
Factory, plants	3
Public utilities — tram	1
Public utilities — bridges	2
Export orders of steel structure	1
Total	**7**

The abovementioned steel structure projects which are in progress are expected to be completed in 2014.

Prefabricated construction

Prefabricated construction mainly involves the pre-production of structural components, such as columns, beams, wall panels, floor panels, stairs and balcony etc., in factory and the direct assembly of such components at work sites. Compared to traditional steel and concrete structures which are fabricated on work sites, prefabricated construction has the following advantages, including better prefabrication capacity, higher accuracy, stronger

Jiangsu Saite Steel Structure Company Limited as Jiangsu Province Top 100 Construction Enterprises in 2012 (2012年江蘇省建築百強企業)

shock resistance, shorter construction lead-time, and higher environmental friendliness, which meet the goal of environmental friendly development of the PRC particularly in green construction area. The Group believes that prefabricated construction, as encouraged and supported by the policies of the PRC Government, will become the development trend of the construction industry.

As the prefabricated construction industry in the PRC is in its preliminary stage of development, it is expected there will be considerable room for development in the future. Among the achievements in the development of the prefabricated construction industry in the PRC, one of the most conspicuous is that the PRC Government has been implementing the promotion of urbanisation construction, with a surge of construction of social security housings for the sake of people's livelihood, which will bring huge demand for prefabricated construction.

In Jiangsu Province, the Group is one of the largest prefabricated construction service providers in terms of revenue. After a few years of development, the Group obtained a number of patented technologies in prefabricated construction and at the end of 2010 commenced its prefabricated construction business. Upon obtaining and completion of several governmental social security housing projects, the Group received recognition from various parties. As an industry pioneer in the PRC and with proven track record, the Group enjoys its own advantage in securing contracts for the construction of government social security housing projects.

In 2013, the Group obtained and completed various prefabricated construction projects, including three social security housing projects as set out below:

Completed projects

Jiubei Garden Phase II, Yixing City
Jiubei Garden Phase III, Yixing City
Xicheng Garden, Yixing City

As at 31 December 2013, the Group had five prefabricated construction projects in progress as set out below:

Projects in progress

	Types of project
Gymnasium of Yixing Gao Cheng Town Primary School, Yixing City	Public utilities
Hongxing Garden, Yixing City	Social security housing project
Shangshui Garden, Yixing City	Social security housing project
Shangjia Garden, Yixing City	Social security housing project
Shangshui Garden Phase III, Yixing City	Social security housing project

The abovementioned prefabricated construction projects which are in progress are expected to be completed in 2014.

Contract amount of steel structure projects and prefabricated construction projects of the Group in 2013

	Year ended 31 December 2013		
	Steel structure projects RMB'000	Prefabricated construction projects RMB'000	Total RMB'000
Opening value of backlog at the beginning of the year	**123,669**	**344,256**	**467,925**(Note 1)
Value of new contracts	**928,411**	**445,013**	**1,373,424**
Revenue recognised	**851,253**	**575,932**	**1,427,185**
Closing value of backlog	**200,827**	**213,337**	**414,164**

The total amount of new contracts entered into by the Group was approximately RMB1,373.4 million in 2013. The average contract size of projects with signed contracts increased to approximately RMB55.0 million in 2013 from approximately RMB52.0 million in 2012.

	Years ended 31 December	
	2013 RMB'000	2012 RMB'000
Opening value of backlog	**467,925**(Note 1)	61,111
Value of new contracts	**1,373,424**	1,454,892(Note 1)
Revenue recognised	**1,427,185**	1,048,078
Closing value of backlog	**414,164**	467,925(Note 1)
— Steel structure projects	**200,827**	123,669
— Prefabricated construction projects	**213,337**	344,256
	414,164	467,925
Average contract amount	**55,000**	52,000

Note 1: Including the compensation amount of approximately RMB216,000 of a prefabricated construction project in 2012, which brought to an adjustment in opening value of 2013.

The amount of new contracts declined by approximately 5.6% to approximately RMB1,373.4 million (2012: approximately RMB1,454.9 million) with the number of new contracts decreased to 25 (2012: 28). As the Group received a few new contracts at the end of 2012, the opening value of backlog in 2013 increased to approximately RMB 468 million as compared with the opening value in 2012. Together with the new contract value of approximately RMB 1,373 million in 2013, the Group was able to recognise revenue of approximately RMB 1,427 million which was about 36.2% higher than that in the previous year. It demonstrated that the Group's increasing capability in project execution.

Production capacity

In view of the increasing market demand for steel structure and prefabricated construction services the Group further expanded the production capacity of the two businesses in 2013.

	Steel structure parts		Prefabricated construction materials (in gross floor area)	
	Years ended 31 December			
	2013	2012	**2013**	2012
Designed production capacity	**80,000 tons**	66,300 tons	**317,250 sq.m.**	216,000 sq.m.

As set out in the section headed "Future plans and use of proceeds from the Global Offering" of the Prospectus, it was expected that the annual production capacity for steel structures parts and prefabricated construction materials (in terms of gross floor area) would be increased to approximately 135,700 tons and 451,700 sq.m. for the year ended 31 December 2013 respectively. When the management was about to implement the expansion plan with the receipt of the listing proceeds, the management noted that new models of certain production machineries with higher efficiency were expected to be released to the market in 2014. The management considered that it would be in the interest of the Group's production and business development to assess the suitability of such new models of machineries when further information is available in 2014. As such, there is a difference between the actual and expected designed production capacity for both steel structures parts and prefabricated construction materials for the year ended 31 December 2013 as set out in the Prospectus.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2013, the Group's revenue was approximately RMB1,427.2 million, representing an increase of approximately RMB379.1 million or 36.2% as compared with that for the year ended 31 December 2012.

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

	For the year ended 31 December			
	2013		2012	
	RMB'000	**%**	RMB'000	%
Construction of				
— Steel structure projects	**851,253**	**59.6**	812,614	77.5
— Prefabricated construction projects	**575,932**	**40.4**	235,464	22.5
Total	**1,427,185**	**100.0**	1,048,078	100.0

The revenue attributable to steel structure projects increased by approximately 4.8% from approximately RMB812.6 million for the year ended 31 December 2012 to approximately RMB851.3 million for the year ended 31 December 2013. The increase was primarily due to the increase in the average contract amount of steel structure projects. It is the Group's intention to maintain a stable growth in steel structure projects while placing more resources to develop higher margined prefabricated construction projects.

The revenue attributable to prefabricated construction projects increased significantly by approximately 144.6% from approximately RMB235.5 million for the year ended 31 December 2012 to approximately RMB575.9 million for the year ended 31 December 2013. The increase was primarily due to the increase in the number of completed projects from one in 2012 to three in 2013 and the increase in the average contract amount of prefabricated construction projects.

Gross profit and gross profit margin

The following table sets out a breakdown of the Group's gross profit and gross profit margin ("GP") in terms of steel structure projects and prefabricated construction projects for each of the two years ended 31 December 2013:

	For the year ended 31 December			
	2013		2012	
	RMB'000	**GP %**	RMB'000	GP %
Construction of				
— Steel structure projects	**251,488**	**29.5**	245,030	30.2
— Prefabricated construction projects	**229,672**	**39.9**	91,171	38.7
Total	**481,160**	**33.7**	336,201	32.1

The gross profit attributable to steel structure projects increased by approximately 2.6% from approximately RMB245.0 million for the year ended 31 December 2012 to approximately RMB251.5 million for the year ended 31 December 2013. The gross profit margin of steel structure projects decreased slightly from approximately 30.2% for the year ended 31 December 2012 to 29.5% for the year ended 31 December 2013. The increase in gross profit of the steel structure projects as compared to the year ended 31 December 2012 was primarily due to the increase in the average contract amount while the cost of sales increased nearly in the same proportion.

The gross profit attributable to prefabricated construction projects increased by approximately 151.9% from approximately RMB91.2 million for the year ended 31 December 2012 to approximately RMB229.7 million for the year ended 31 December 2013. The Group's gross profit margin of the prefabricated construction projects increased to approximately 39.9% for the year ended 31 December 2013, compared to approximately 38.7% for the year ended 31 December 2012. The increase in the gross profit of prefabricated construction projects was primarily due to the increase in the number of projects completed, the average contract amount and the gross profit margin. The growth in the gross profit margin of prefabricated construction business mainly due to the majority of the prefabricated construction projects completed in 2013 were social security housing projects with higher gross profit margin.

The Group's overall gross profit margin increased from approximately 32.1% for the year ended 31 December 2012 to approximately 33.7% for the year ended 31 December 2013, mainly due to the increase in contribution from the prefabricated construction projects with higher gross profit. The total sales amount of prefabricated construction projects increased by approximately 144.6%, representing an increase from approximately 22.5% in 2012 to approximately 40.4% of total revenue in 2013.

Event after the Reporting Period

There are no significant events subsequent to 31 December 2013 which would materially affect the Group's operating and financial performance as of the date of consolidated financial statements.

Use of net proceeds from the Global Offering

The Shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 1 November 2013 with net proceeds received by the Company from its global offering launched in October 2013 amounting to approximately HK$369 million after deducting underwriting commissions and all related expenses.

As at 31 December 2013, the net proceeds of the Global Offering has not been applied and utilised.

The Directors consider that all the net proceeds are to be applied in accordance with the proposed applications as set out in the section headed "Future plans and use of proceeds from the Global Offering" in the Prospectus except for the delay in expanding production capacity as detailed in the paragraph headed "Production capacity" of this management, discussion and analysis section. The Directors are not aware of any material change to the planned use of proceeds as at the date of this report.

Employees

As at 31 December 2013, the Group had approximately 489 employees. The related staff cost (including directors' remuneration in the form of salaries and other benefits) for the year ended 31 December 2013 was approximately RMB43 million (2012: RMB26 million).

The Group remunerates its employees based on their performance, experience and prevailing industry practice. Competitive remuneration package is offered to retain elite employees. Our package includes salaries, medical insurance, discretionary bonuses, on-job training, other benefits as well as mandatory provident funds schemes for employees in Hong Kong and state-managed retirement benefit schemes for employees in the PRC.

FUTURE PROSPECTS AND STRATEGIES

With steel structure solution as its foundation, the Group has maintained its leading position among the top five steel structure construction providers in Jiangsu Province. As the Company's key development direction and growth engine, the prefabricated construction solution of the Group will maintain its position as an industry leader in the PRC. The concurrent development of the Group's steel structure solution as well as prefabrication construction solution is expected to create a promising future for the Group.

As required by the policies of the PRC Government, the technology of prefabricated construction must be applied to 30% of social security housings by the end of 2016 on a nationwide scale. The Group believes that this will usher in a larger room for its development, and will focus on undertaking social security housing projects for reallocation. The Group will fully utilise its existing expertises and plan to introduce its services to other provinces and regions in the PRC, in order for its prefabricated construction solution to achieve a strong growth.

Meanwhile, the Group will also expand further into the steel structure industry to increase our market share, and extend our footprint into second- and third-tier cities with more business opportunities in Guizhou, Hubei, etc..

In order to satisfy the growing demand, the Group will further bolster the core value of its corporate culture and corporate management, and retain high-caliber talents. Meanwhile, the Group will continue to expand the production capacity in the future to satisfy its growth.

The management team of the Group will leverage their rich experience, seize opportunities, and exert the competitive edges of the Group, while growing and expanding in the competitive situation, so as to continue to bring good returns to our shareholders.

Profile of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Jiang Jianqiang (蔣建強), aged 48, the founder of our Group, is our chairman and executive Director. Mr. Jiang Jianqiang 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 Jianqiang has extensive experience in the steel structure industry, and has been engaged in such business for over 15 years.

Mr. Jiang Jianqiang completed a three-year professional 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 Jianqiang has acted as the general manager of Saite Steel (Jiangsu). As at the date of this report, Mr. Jiang Jianqiang was a director of China Saite (Overseas) Company Limited, China Saite (H.K.) Company Limited, Modern Day Holdings Limited, and Jiangsu Site Steel Structure Co., Ltd. (江蘇賽特鋼結構有限公司) ("Saite Steel (Jiangsu)"), each being a wholly-owned subsidiary of the Company. 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. As at the date of this report, Mr. Shao was also a director of Saite Steel (Jiangsu), a wholly-owned subsidiary of the Company.

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. 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 January 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 電子商業部 (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 1991, 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 43, 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 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. From November 2008 to December 2013, he also served 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)).

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 date of this report; (ii) had no other relationship with any Directors, senior management or substantial or controlling shareholders of our Company as at the date of this report; and (iii) did not hold any other directorships in listed public companies in the three years prior to the date of this report.

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 bachelor's degree 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 professional 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. From September 2009 to August 2011, Mr. Shan worked as the general manager of Wuxi office of Saite Steel (Jiangsu).

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 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 report.

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

Report of the Directors

The Directors are pleased to present their report and audited consolidated financial statements of the Group for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Group is an integrated steel structure and prefabricated construction solution service provider. 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.

All of the Group's turnover is derived from business activities in the PRC. An analysis of the Group's income for the year is set out in note 8 to the financial statements.

The Company acts as an investment holding company. Particulars of the Company's major subsidiaries as at 31 December 2013 are set out in note 37 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss and other comprehensive income on page 42 of this report.

The Board recommended the final dividend payment of RMB5.5 cents per Share (equivalent to HK7.1 cents per Share) for the year ended 31 December 2013 (2012: NIL).

FOUR YEAR FINANCIAL SUMMARY

The result, assets and liabilities of the Group for the last four financial years, as extracted from the audited financial statements, are summarised on page 88 of this report.

PROPERTY, PLANT AND EQUIPMENT

Details of properties of the Group as at 31 December 2013 are set out in note 18 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital are set out in note 29 to the financial statements.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of the annual report, there was a sufficiency of public float the Company's securities as required under Rule 8.08 (1) (a) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2013, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

RESERVES

Details of the movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity.

The Company's reserves available for distribution comprise the share premium less accumulated loss of the Company. As at 31 December 2013, the reserves of the Company available for distribution to shareholders amounted to approximately RMB161.9 million.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases and installation for the year attributable to the Group's major customers and suppliers are as follows:

	Percentage of the total purchases/sales accounted for
Purchases and installation	
— the largest supplier	23.5%
— five largest suppliers combined	55.7%
Sales	
— the largest customer	23.6%
— five largest customers combined	60.5%

None of the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in the five largest suppliers or customers of the Group noted above.

At no time during the year, none of the Directors, their associates or shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) has any interest in the customers or suppliers disclosed above.

DIRECTORS

The Directors who held office during the year and up to the date of this report were:

Executive Directors

Mr. Jiang Jianqiang *(Chairman)*
Mr. Shao Xiaoqiang *(Chief Executive Officer)*
Mr. Wu Yimin *(appointed on 11 October 2013)*

Independent Non-executive Directors

Mr. Ma Chun Fung Horace *(appointed on 11 October 2013)*
Mr. Xu Jiaming *(appointed on 11 October 2013)*
Mr. Chen Tiegang *(appointed on 11 October 2013)*

DIRECTORS' PROFILES

Directors' profiles are set out on pages 17 to 21 of this report.

CHANGE IN DIRECTOR'S INFORMATION

Mr. Ma Chun Fung Horace resigned 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)) on 4 December 2013.

The updated profile of Mr. Ma is set out on pages 19 and 20 of this report.

Apart from the foregoing, the Company has not been advised by the Directors of any change in the information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

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 independent non-executive Directors has been appointed for an initial term of two year commencing from 1 November 2013 renewable automatically for successive term of one year each commencing from the next day after the expiry of then current term of appointment, unless terminated by either our non-executive Director or our independent non-executive Director, as applicable, or our Company giving not less than three months' notice in writing expiring at the end of the initial term or at any time thereafter.

No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company within one year without payment of compensation, other than normal statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the particulars disclosed in note 35 under the heading "Related Party Transactions" to the financial statements, there were no other contracts of significance in relation to the Company's business, to which the Company or any of the Company's subsidiaries was a party nor there were any other contracts of significance in relation to the Company's business between the Company or any of the Company's subsidiaries subsisting at the end of the year or at any time during the year in which a Director had, whether directly or indirectly, a material interest.

No contract of significance had been entered into between the Company or any of its subsidiaries and the controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries.

No contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholder of the Company or any of its subsidiaries was entered into.

DIRECTORS' INTEREST IN SHARES

As at 31 December 2013, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register of the Company required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were set out below:

Long and short positions in the Shares and underlying Shares

Name of Director	Nature of interest	Number of securities held (Note 1)	Approximate percentage of shareholding (%)
Mr. Jiang Jianqiang	Interest of controlled corporations	1,020,000,000 Shares (L)	63.75%

Notes:

1. The letter "L" denotes the person's long position in our Shares.

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 Jianqiang and 49% by Mr. Jiang Yixuan.

Save as disclosed above, as at 31 December 2013, none of the Directors and chief executive of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), as recorded in the register of the Company required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2013, so far as was known to the Directors, the following persons, other than the Directors and chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company, which were required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Long and short positions in the Shares and underlying Shares

Name of Shareholder	Nature of interest	Number of securities held (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. Jiang Yixuan	Interest of controlled corporations (Note 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 Jianqiang and 49% by Mr. Jiang Yixuan.

4. Ms. Zhou Xiaoying is the spouse of Mr. Jiang Jianqiang.

Save as disclosed above, the Directors and the chief executive of the Company are not aware that there is any party who, as at 31 December 2013, had interests or short positions in the shares and underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Share Option Scheme"), which was adopted on 11 October 2013 (the "Adoption Date"), for the purpose of providing incentives or rewards to selected eligible participants for their contribution to the Group. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for ten years from the Adoption Date.

Eligible participants of the Share Option Scheme include the following:

(i) any employee (whether full time or part time including any executive director but excluding any non-executive director) of the Group or any entity (the "Invested Entity") in which any member of the Group holds any shareholding;

(ii) any non-executive directors (including independent non-executive directors) of the Group or any Invested Entity;

(iii) any supplier of goods or services to any member of the Group or any Invested Entity;

(iv) any customer of the Group or any Invested Entity;

(v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;

(vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(vii) any adviser (professional or otherwise) or consultant to any area of business or business development of the Group or any Invested Entity; and

(viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliances or other business arrangement to the development and growth of the Group.

As at the date of this annual report, the total number of Shares available for issue under the Share Option Scheme is 160,000,000, representing 10% of the issued share capital of the Company as at the Listing Date. The maximum number of Shares issuable upon exercise of the options which may be granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting.

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their respective associates (as defined under the Listing Rules), are subject to approval in advance by the independent non-executive Directors (excluding independent non-executive Director who or whose associates is the grantee of the options). In addition, where any grant of share options to a substantial shareholder or an independent non-executive Director, or to 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 excess of 0.1% of the Shares in issue and with an aggregate value (based on the closing price of the Shares at the date of the grant) in excess of HK$5 million, in a 12-month period up to and including the date of grant, such further grant of share options are subject to Shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 by the grantee. The exercise period for the share options granted is determined by the Board, which period may commence from the date of acceptance of the offer for the grant of share options but shall end in any event not later than 10 years from the date of the grant of the option subject to the provisions for early termination under the Share Option Scheme.

The subscription price for Shares under the Share Option Scheme shall be a price determined by the Board, but shall not be less than the highest of:

(i) the closing price of Shares as stated in the daily quotations sheet of the Stock Exchange on the date of the offer of the grant, which must be a business day;

(ii) the average closing price of the 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 the Shares.

Since the Adoption Date and up to 31 December 2013, no share options has been granted by the Company.

RIGHTS TO ACQUIRE COMPANY'S SECURITIES

Other than as disclosed under the sections "Share Options" and "Directors' Interest in Shares" above, at no time during the year was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

CONNECTED TRANSACTIONS

Details of the related party transactions undertaken in the usual course of business are set out in note 35 to the financial statements. None of these related party transactions constitutes a discloseable connected transaction as defined under the Listing Rules.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company and their respective associates (as defined under the Listing Rules) had any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group during the year and up to the date of this report.

PRE-EMPTIVE RIGHTS

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

MANAGEMENT CONTRACTS

No contracts of significance concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

EMOLUMENT POLICY

The emolument policy of the employees and senior management of the Group is set by the remuneration committee of the Company (the "Remuneration Committee") on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the Remuneration Committee, having regard to market competitiveness, individual performance and achievement.

The Company has adopted the Share Option Scheme as an incentive to Directors and eligible employees, details of the scheme is set out in note 30 to the financial statements and the section headed "Share Option Scheme" above.

EVENTS AFTER THE REPORTING PERIOD

There are no material events after the reporting period which would require disclosure to the financial statements.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the "Corporate Governance Report" section of this annual report.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with the requirements as set out in the Listing Rules for the purposes of reviewing and supervising the financial reporting process and internal controls of the Group.

The Audit Committee currently comprises Mr. Ma Chun Fung Horace (Chairman), Mr. Chen Tiegang and Mr. Xu Jiaming. The Audit Committee has reviewed and discussed with the management and the external auditors financial reporting matters including the annual results for the year ended 31 December 2013.

AUDITOR

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming annual general meeting.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 21 May 2014 to Friday, 23 May 2014, both days inclusive, during which no transfer of Shares will be registered. In order to qualify for attending and voting at the AGM or any adjournment thereof, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 20 May 2014.

By order of the Board
China Saite Group Company Limited

Jiang Jianqiang
Chairman

Hong Kong, 17 March 2014

CORPORATE GOVERNANCE PRACTICES

The Board has committed to achieving high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has applied the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules.

The Board is of the view that throughout the period from 1 November 2013 (the "Listing Date") to 31 December 2013, the Company has complied with all the code provisions as set out in the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has devised its own code of conduct regarding directors' and employees' dealings in the Company's securities (the "Securities Dealing Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules and a warning to all directors, senior management and relevant employees of the Group about insider dealing known as "Insider Dealing — Warning".

Specific enquiry has been made with all the directors and the directors have confirmed that they have complied with the Securities Dealing Code throughout the period from the Listing Date to 31 December 2013. No incident of non-compliance of the Securities Dealing Code by the employees was noted by the Company.

BOARD OF DIRECTORS

The Board of the Company comprises the following directors:

Executive Directors:
Mr. Jiang Jianqiang (Chairman and Chairman of Nomination Committee)
Mr. Shao Xiaoqiang (Chief Executive Officer and Member of Remuneration Committee)
Mr. Wu Yimin

Independent non-executive Directors:
Mr. Xu Jiaming (Member of Audit Committee and Nomination Committee)
Mr. Chen Tiegang (Chairman of Remuneration Committee, and Member of Audit Committee and Nomination Committee)
Mr. Ma Chun Fung Horace (Chairman of Audit Committee and Member of Remuneration Committee)

The biographical information of the directors are set out in the section headed "Profile of Directors and senior management" on pages 17 to 21 of the annual report for the year ended 31 December 2013.

None of the members of the Board is related to one another.

Chairman and chief executive officer

The positions of chairman and chief executive officer of the Company are held by Mr. Jiang Jianqiang and Mr. Shao Xiaoqiang respectively. The chairman provides leadership for the Board and is responsible for overall strategic planning and management of our Group. The chief executive officer focuses on overseeing our production and technical teams of our Group. Their respective responsibilities are clearly defined and set out in writing.

Independent non-executive Directors

During the period ended 31 December 2013, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Non-executive Directors and Directors' re-election

Code provision A.4.1 of the CG Code stipulates that non-executive Directors shall be appointed for a specific term, subject to re-election whereas code provision A.4.2 of the CG Code states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the independent non-executive Directors of the Company has been appointed for an initial term of two years commencing from 1 November 2013 renewable automatically for successive term of one year unless terminated by not less than three months' notice in writing served by either the independent non-executive Director or the Company. The independent non-executive Directors are subject to retirement by rotation once every three years.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Continuous professional development of Directors

Directors keep themselves abreast of their responsibilities as Directors and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for directors will be arranged and reading material on relevant topics will be issued to directors. All Directors are encouraged to attend relevant training courses at the Company's expenses.

From the Listing Date to 31 December 2013, the Company's Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the CG Code on continuous professional development:

	Corporate Governance/ Updates on Laws, Rules & Regulations		Accounting/Financial/ Management or Other Professional Skills	
	Read Materials	**Attended Seminars/ Briefings**	**Read Materials**	**Attended Seminars/ Briefings**
Executive Directors				
Mr. Jiang Jianqiang	✓	✓	✓	
Mr. Shao Xiaoqiang	✓	✓	✓	
Mr. Wu Yimin	✓	✓	✓	
Independent non-executive Directors				
Mr. Xu Jiaming	✓	✓	✓	
Mr. Chen Tiegang	✓	✓	✓	
Mr. Ma Chun Fung Horace	✓	✓	✓	✓

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the nomination committee of the Company (the "Nomination Committee"). All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on pages 3 to 4.

Audit Committee

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee reviewed the Company's annual results and Annual Report for the year ended 31 December 2013, the financial reporting and compliance procedures, internal control and risk management systems, and the re-appointment of external auditors, and arrangements for employees to raise concerns about possible improprieties.

As the Company was only listed on 1 November 2013, just one meeting was convened by the Audit Committee during the period from the Listing Date to 31 December 2013. From 2014 onward, the Audit Committee will conduct meeting at least twice a year and also meet the external auditors twice a year.

Remuneration Committee

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, the remuneration policy and structure for all directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee met once to discuss the pros and cons of share option scheme and share aware scheme and other staff rewarding scheme.

Nomination Committee

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to skill, regional and industry experience, background, race and other qualities of Directors. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

The Nomination Committee met once during the period from the Listing Date to 31 December 2013.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Securities Dealing Code and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

Under code provision A.1.1 of the CG Code, there should be at least four board meetings held per year. As the Company was only listed on 1 November 2013, only one board meeting was held after the Listing Date. Starting from the year 2014, at least four regular board meetings will be held each year in compliance with code provision A.1.1. On 17 March 2014, the Company held a regular board meeting.

The attendance record of each director at the Board and Board Committee meetings of the Company held from the Listing Date to 31 December 2013 are set out in the table below:

	Attendance/Number of Meetings			
Name of Director	**Board**	**Nomination Committee**	**Remuneration Committee**	**Audit Committee**
Mr. Jiang Jianqiang	1/1 Chairman	1/1 Chairman	*1/1	*1/1
Mr Shao Xiaoqiang	1/1	*1/1	1/1	*1/1
Mr. Wu Yimin	1/1	*1/1	*1/1	*1/1
Mr. Xu Jiaming	1/1	1/1	*1/1	1/1
Mr. Chen Tiegang	1/1	1/1	1/1 Chairman	1/1
Mr. Ma Chun Fung Horace	1/1	*1/1	1/1	1/1 Chairman

* *by invitation*

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2013.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 40 to 41.

AUDITORS' REMUNERATION

The remuneration paid or payable to the external auditor of the Company in respect of audit services and non-audit services provided to the Company and its subsidiaries for the year ended 31 December 2013 amounted to HK$1,750,000 and HK$6,616,000 respectively.

An analysis of the remuneration paid to the external auditor of the Company, Messrs. Deloitte Touche Tohmatsu, in respect of audit services and non-audit services for the year ended 31 December 2013 is set out below:

Service Category	Fees Paid/ Payable HKD
Audit Services	1,750,000
Non-audit Services	
— initial public offering of the Company	6,566,000
— internal control review services	50,000
	8,366,000

INTERNAL CONTROLS

During the year under review, the Board, through the Audit Committee, and the engagement of a professional accounting firm conducted a review of the effectiveness of the internal control system of the Company, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

REGULATORY COMPLIANCE

The Group have established a system to ensure the management and the relevant personnel have sufficient up-to-date knowledge of relevant laws and regulations. Under such system, the Directors and members of the management in charge of the Group's construction projects shall be informed of the changes to the laws, regulations and government policies applicable to the Group's business and the implications thereof by email and written notice as soon as practicable and, where the Directors consider necessary, a briefing on such changes to the executive Directors and members of the management in charge of the Group's construction projects (the "Relevant Personnel") shall be conducted. Moreover, the Group 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.

In addition, the Company had engaged an external PRC legal adviser to, among others, monitor the Group's compliance with the PRC laws and regulations applicable to its business operation, including but not limited to the PRC laws and regulations relating to bill financing arrangements. The Group did not enter into any bill financing arrangement during the year ended 31 December 2013.

During the year under review, substantial amendments had been made to the PRC Company Law, the PRC Employment Contract Law and the PRC Trademark Law. In view of such changes, instead of separate briefings, a comprehensive training seminar was conducted by the Group's external PRC legal adviser to the Relevant Personnel during the year under review with the aims to (i) refresh their knowledge of the major laws, regulations and government policies applicable to business of the Group; and (ii) update them on any changes thereto. Each of the executive Directors and the members of the management in charge of the Group's construction projects attended such training seminar.

During the year under review, the Company had engaged Kim Eng Securities (Hong Kong) Limited as its compliance adviser to, among others, advise the Group on compliance issues with the Listing Rules.

NON-COMPETITION UNDERTAKING

Mr. Jiang Jianqiang and Champ Origin Limited (the "Controlling Shareholders"), being the controlling shareholders (as defined under the Listing Rules) of the Company, gave a non-competition undertaking in favour of the Company (the "Non-competition Undertaking"). Each of the Controlling Shareholders has undertaken under the Non-Competition Undertaking that he or it shall provide to the Company and the Directors from time to time (including the independent non-executive Directors) with all information necessary for the annual review by the independent non-executive Directors with regard to compliance of the terms of the Non-Competition Undertaking by the Controlling Shareholders and the enforcement of the Non-Competition Undertaking.

Each of the Controlling Shareholders has confirmed compliance with the terms of the Non-competition Undertaking and that during the year review, there was no matter which required to be deliberated by the Board in relation to the compliance and enforcement of the Non-competition Undertaking. The Board comprising all the independent non-executive Directors is of the view that such controlling shareholders have been in compliance with the Non-competition Undertaking in favour of the Company.

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at shareholder meetings, including the election of individual directors. All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholder meeting.

Convening an Extraordinary General Meeting by Shareholders and Putting Forward Proposals at General Meetings

Extraordinary general meetings may be convened by the directors on requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the Secretary by mail to Unit 6105, 61/F, The Center, 99 Queen's Road Central, Hong Kong, to require an Extraordinary General Meeting to be called by the Directors for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Unit 6105, 61/F, The Center, 99 Queen's Road Central, Hong Kong
(For the attention of the Company Secretary)
Fax: (852) 3691 8124
Email: martin.wong@chinasaite.com.cn

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and the investment community, and in particular, through the Company's financial reports (interim and annual reports), annual general meetings and other general meetings. Board members, the chairman of Board committees or their delegates, appropriate management executives and external auditor will attend the annual general meetings to answer shareholders' questions.

The Company has not made any change to its articles of association since the Listing Date. An up to date version of the Company's articles of association is also available on the Company's website and the Stock Exchange's website.

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF CHINA SAITE GROUP COMPANY LIMITED
中國賽特集團有限公司
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Saite Group Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 42 to 87, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
17 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2013

	NOTES	2013 RMB'000	2012 RMB'000
Revenue	7	**1,427,185**	1,048,078
Cost of sales		**(946,025)**	(711,877)
Gross profit		**481,160**	336,201
Other income	9	**5,934**	7,993
Selling and marketing expenses		**(2,246)**	(1,106)
Administrative expenses		**(21,085)**	(15,271)
Other expenses	10	**(20,255)**	(11,078)
Finance costs	11	**—**	(8,506)
Profit before tax		**443,508**	308,233
Income tax expense	14	**(149,486)**	(104,406)
Profit and total comprehensive income for the year attributable to owners of the Company	15	**294,022**	203,827
Earnings per share	17		
Basic (RMB cents)		**23.21**	16.99

Consolidated Statement of Financial Position

AT 31 DECEMBER 2013

	NOTES	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment	18	**64,769**	39,230
Prepaid lease payments	19	**14,371**	14,710
Deposits paid for acquisition of property, plant and equipment	20	**—**	26,832
		79,140	80,772
Current assets			
Amounts due from customers for contract work	21	**2,944**	2,414
Trade receivables	22	**397,673**	229,125
Other receivables, deposits and prepayments	23	**3,099**	4,054
Prepaid lease payments	19	**339**	339
Bank balances and cash	24	**785,545**	329,046
		1,189,600	564,978
Current liabilities			
Amounts due to customers for contract work	21	**6,660**	8,272
Trade payables	25	**78,907**	38,680
Other payables and accruals	26	**28,390**	71,027
Amount due to a director	27	**—**	12,558
Tax liabilities		**28,825**	7,904
		142,782	138,441
Net current assets		**1,046,818**	426,537
Total assets less current liabilities		**1,125,958**	507,309
Non-current liability			
Deferred tax liability	28	**64,408**	42,673
		1,061,550	464,636

AT 31 DECEMBER 2013

	NOTES	**2013 RMB'000**	2012 RMB'000
Capital and reserves			
Share capital	29	**126,653**	80
Reserves		**934,897**	464,556
Equity attributable to owners of the Company		**1,061,550**	464,636

The consolidated financial statements on pages 42 to 87 were approved and authorised for issue by the Board of Directors on 17 March 2014 and are signed on its behalf by:

DIRECTOR

DIRECTOR

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2013

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000 (Note a)	Retained profits RMB'000	Total RMB'000
At 1 January 2012	—	—	—	25,000	169,142	194,142
Profit and total comprehensive income for the year	—	—	—	—	203,827	203,827
Transfer to statutory reserves	—	—	—	8,334	(8,334)	—
Wavier of amount due to former immediate holding company	—	—	50,000	—	—	50,000
Issue of shares by the Company under Corporate Reorganisation (note 29(b))	80	—	(80)	—	—	—
Capital contribution from shareholders under Corporate Reorganisation (note b)	—	—	16,667	—	—	16,667
At 31 December 2012	**80**	**—**	**66,587**	**33,334**	**364,635**	**464,636**
Profit and total comprehensive income for the year	**—**	**—**	**—**	**—**	**294,022**	**294,022**
Transfer to statutory reserves	**—**	**—**	**—**	**35,764**	**(35,764)**	**—**
Capitalisation issue of shares (note 29 (d))	**94,910**	**(94,910)**	**—**	**—**	**—**	**—**
Issue of shares pursuant to the global offering (note 29 (e))	**31,663**	**294,466**	**—**	**—**	**—**	**326,129**
Expenses incurred in connection with issue of new shares	**—**	**(23,237)**	**—**	**—**	**—**	**(23,237)**
At 31 December 2013	**126,653**	**176,319**	**66,587**	**69,098**	**622,893**	**1,061,550**

Notes:

(a) The statutory reserves represent the amount transferred from net profit for the year of a subsidiary established in the People's Republic of China ("PRC") (based on the PRC statutory financial statements of that PRC subsidiary) in accordance with the relevant PRC laws until the statutory reserves reach 50% of the registered capital of that subsidiary. The statutory reserves cannot be reduced except either in setting off the accumulated losses or increasing capital.

(b) Pursuant to the corporate reorganisation to rationalise the group structure in the preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Corporation Reorganisation"), the registered capital of a wholly-owned subsidiary of the Company 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 were the ultimate shareholders of the Company prior to the global offering.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 RMB'000	2012 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**443,508**	308,233
Adjustments for:		
Finance costs	**—**	8,506
Interest income	**(1,886)**	(3,209)
Depreciation of property, plant and equipment	**2,168**	2,213
Loss on disposal/written off of property, plant and equipment	**310**	517
Operating cash flows before movements in working capital	**444,100**	316,260
Decrease in amounts due from customers for contract work	**2,736**	7,233
Increase in trade receivables	**(168,548)**	(38,085)
Decrease (increase) in other receivables, deposits and prepayments	**955**	(3,318)
(Decrease) increase in amounts due to customers for contract work	**(1,520)**	8,297
Increase (decrease) in trade payables	**40,227**	(96,529)
(Decrease) increase in other payables and accruals	**(42,637)**	53,016
CASH GENERATED FROM OPERATIONS	**275,313**	246,874
PRC income tax paid	**(106,830)**	(82,025)
NET CASH FROM OPERATING ACTIVITIES	**168,483**	164,849
INVESTING ACTIVITIES		
Interest received	**1,886**	3,209
Purchase of property, plant and equipment	**(4,204)**	(700)
Placement of pledged bank deposits	**—**	(25,000)
Withdrawal of pledged bank deposits	**—**	90,000
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(2,318)**	67,509

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 RMB'000	2012 RMB'000
FINANCING ACTIVITIES		
Interest paid	—	(8,506)
Proceeds from issue of new shares	**326,129**	—
Expenses paid in connection with the issue of shares	**(23,237)**	—
New bank borrowings raised	—	103,400
Repayment of bank borrowings	—	(240,900)
Advance from a director	**10,774**	12,063
Repayment to a director	**(23,332)**	—
Capital contribution from shareholders	—	16,667
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**290,334**	(117,276)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**456,499**	115,082
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**329,046**	213,964
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**785,545**	329,046

Notes to the Consolidated Financial Statements

1. GROUP REORGANISATION AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 31 July 2012 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 1 November 2013. Its immediate holding company and ultimate holding company are Keen Luck Group Limited ("Keen Luck") and Champ Origin Limited respectively, which are limited companies incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" to the annual report.

Pursuant to the Corporate Reorganisation, 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. Details of the Corporate Reorganisation are set out in the Company's prospectus dated 22 October 2013.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2012 have been prepared as if the group structure under the Corporate Reorganisation had been in existence throughout the year ended 31 December 2012 or since their respective dates of incorporation or establishment, whichever is the shorter period.

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 37.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied all the standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's financial year beginning 1 January 2013. The application of the amendments to HKFRSs has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures to the consolidated financial statements of the Group.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[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]
HKFRS 14	Regulatory Deferral Accounts[5]
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 July 2014.

3 Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

5 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

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 consolidated financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and 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 Group 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 Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

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 the recognition of revenue from construction services is described in the accounting policy for construction contracts below.

Sales of scrapped goods

Revenue from sales 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.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

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 purpose (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent 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 values 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, 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 asset and is recognised in profit or loss.

Investment in a subsidiary

Investment in a subsidiary is included in the Company's statement of financial position at cost less any impairment loss.

The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

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 land lease payments" in the consolidated statement 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.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

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.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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 immediately in profit or loss.

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 expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

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. 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.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Construction contracts — continued

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 statement 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 statement of financial position under trade receivables.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement 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.

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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument 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 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 debt instrument, 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.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Financial instruments — continued

Financial assets — continued

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 receivables, other receivables and bank balances) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each 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.

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 or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, 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, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised costs, 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.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Financial instruments — continued

Financial assets — continued

Impairment of financial assets — continued

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.

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 loss 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 an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

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 paid or received that form an integral part of the effective interest rate, transaction costs and other premium 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.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Financial instruments — continued

Financial liabilities and equity instruments — continued

Financial liabilities

Financial liabilities including trade payables, other payables and amount due to a director are subsequently measured at amortised cost, using the effective interest method.

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.

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 liabilities 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 the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

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. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and 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 amount 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 the initial recognition of 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 and interests 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.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Taxation — continued

Current and deferred tax are recognised in profit or loss, except when they relate 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 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY — CONTINUED

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 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 2013, the carrying amount of trade receivables is RMB397,673,000 (2012: RMB229,125,000) 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 Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts, which includes amount due to a director disclosed in note 27, net of cash and cash equivalents and equity attributable to owners of the Company, comprising 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 payment of dividend, new shares issue as well as the issue of new debt or redemption of existing debt.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2013 RMB'000	2012 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**1,183,220**	558,182
Financial liabilities		
Amortised cost	**78,947**	51,278

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, bank balances, trade payables and other payables and amount due to a director.

Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign 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

Foreign currency risk

Certain transactions of the Group are denominated in Hong Kong dollars ("HK$") which is different from the functional currency of the relevant group entities i.e. RMB, which expose the Group to foreign currency risk.

6. FINANCIAL INSTRUMENTS — CONTINUED

(b) Financial risk management objectives and policies — continued

Market risk — continued

Foreign currency risk — continued

The carrying amounts of the Group's financial asset and liability denominated in HK$ at the end of the reporting period are as follows:

	2013 **RMB'000**	2012 RMB'000
Bank balances	**27,698**	55
Amount due to a director	**—**	12,558

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.

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.

	2013 **RMB'000**	2012 RMB'000
Profit for the year	**(1,385)**	625

In management's opinion, the sensitivity analysis is unrepresentative of the foreign currency risk inherent as the year end exposure does not reflect the exposure during the relevant year.

6. FINANCIAL INSTRUMENTS — CONTINUED

(b) Financial risk management objectives and policies — continued

Market risk — continued

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate 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 bank balances is 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 balances.

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank balances at the end of each reporting period.

The analysis is prepared assuming the variable-rate bank balances outstanding at the end of the reporting period were outstanding for the whole year. 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 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.

	2013 **RMB'000**	2012 RMB'000
Increase in profit for the year	**1,490**	617

In management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk as the year end exposure does not reflect the exposure during the year.

6. FINANCIAL INSTRUMENTS — CONTINUED

(b) Financial risk management objectives and policies — continued

Credit risk

As at 31 December 2013, 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 respect recognised financial assets as stated in the consolidated statement 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 receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the credit risk of the Group is significantly reduced.

The credit risk of the Group is concentrated on trade receivables from the Group's five largest customers at 31 December 2013 amounting to RMB211,374,000 (2012: RMB145,600,000) and accounted for 53% (2012: 64%) of the Group's total trade 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 limited because the counterparties are banks with good reputation.

6. FINANCIAL INSTRUMENTS — CONTINUED

(b) Financial risk management objectives and policies — continued

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 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.

	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 2013							
Trade payables	—	**68,749**	**8,826**	—	**1,332**	**78,907**	**78,907**
Other payables	—	**40**	—	—	—	**40**	**40**
		68,789	**8,826**	—	**1,332**	**78,947**	**78,947**
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

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

For segment reporting under HKFRS 8, the revenue and gross margin of each construction contract with similar economic characteristics has been aggregated into a single reportable and operating segment. The accounting policies of the operating segments are the same as the Group's accounting policies 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 have not been reviewed by the CODM.

Entity-wide information

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

	2013 **RMB'000**	2012 RMB'000
Construction of		
— Steel structure projects	**851,253**	812,614
— Prefabricated construction projects	**575,932**	235,464
	1,427,185	1,048,078

Geographical information

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

8. SEGMENT INFORMATION — CONTINUED

Information about major customers

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

	2013 RMB'000	2012 RMB'000
Customer A[1]	**336,991**	131,262
Customer B[1]	**155,029**	—
Customer C[2]	*	160,385
Customer D[2]	—	130,564

1 Revenue from construction of prefabricated construction projects.

2 Revenue from construction of steel structure projects.

* The corresponding revenue did not contribute over 10% of the total revenue of the Group for the year.

9. OTHER INCOME

	2013 RMB'000	2012 RMB'000
Interest income on bank deposits	**1,886**	3,209
Sales of scrapped materials	**4,048**	4,606
Exchange gain	—	178
	5,934	7,993

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 have been accounted for as a deduction from equity to the extent they are directly attributable to the issuing of new shares. The remaining costs have been recognised as an expense when incurred.

11. FINANCE COSTS

The amount represented the interest on bank loans wholly repayable within five years.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the directors, which include the Chief Executive, were as follows:

	Fees	Salaries and other benefits	Discretionary bonus	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2013:					
Executive directors:					
Mr. Jiang Jianqiang	**—**	**176**	**24**	**13**	**213**
Mr. Shao Xiaoqiang	**—**	**146**	**19**	**13**	**178**
Mr. Wu Yimin	**—**	**128**	**16**	**9**	**153**
Independent non-executive directors:					
Mr. Xu Jiaming	**16**	**—**	**—**	**—**	**16**
Mr. Chen Tiegang	**16**	**—**	**—**	**—**	**16**
Mr. Ma Chun Fung Horace	**32**	**—**	**—**	**—**	**32**
	64	**450**	**59**	**35**	**608**
For the year ended 31 December 2012:					
Executive directors:					
Mr. Jiang Jianqiang	—	108	—	13	121
Mr. Shao Xiaoqiang	—	90	—	13	103
Mr. Wu Yimin	—	72	—	9	81
Independent non-executive directors:					
Mr. Xu Jiaming	—	—	—	—	—
Mr. Chen Tiegang	—	—	—	—	—
Mr. Ma Chun Fung Horace	—	—	—	—	—
	—	270	—	35	305

Note: No remuneration was paid or payable to the independent non-executive directors in 2012 because they were neither the directors nor employees of the Group during the year ended 31 December 2012.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS — CONTINUED

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.

The discretionary bonus is determined by the performance of individuals.

None of the directors waived any emoluments for both years. 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 (2012: two) were directors of the Company, which include the Chief Executive, whose emoluments are included in the disclosures in note 12 above. The emoluments of the remaining two (2012: three) highest paid individuals were as follows:

	2013	2012
	RMB'000	RMB'000
Salaries and other benefits	**720**	714
Discretionary bonus	**815**	—
Retirement benefits scheme contributions	**8**	23
	1,543	737

The emoluments were within the following bands:

	Number of individuals	
	2013	2012
Below HK$1,000,000	**1**	3
HK$1,000,001 to HK$1,500,000	**—**	—
HK$1,500,001 to HK$2,000,000	**1**	—
	2	3

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 for both years.

14. INCOME TAX EXPENSE

	2013 RMB'000	2012 RMB'000
Current tax:		
PRC Enterprise Income Tax	**118,001**	81,041
PRC withholding tax	**9,750**	—
Deferred tax (note 28):		
Current year	**21,735**	23,365
	149,486	104,406

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

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

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

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

	2013 RMB'000	2012 RMB'000
Profit before tax	**443,508**	308,233
Tax at the PRC Enterprise Income Tax rate of 25%	**110,877**	77,058
Tax effect of expenses not deductible for tax purpose	**7,300**	3,978
Deferred tax on undistributed earnings of a PRC subsidiary	**31,485**	23,365
Others	**(176)**	5
Income tax expense for the year	**149,486**	104,406

15. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

	2013 **RMB'000**	2012 RMB'000
Profit and total comprehensive income for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**1,481**	52
Depreciation of property, plant and equipment	**5,203**	5,131
Less: amounts capitalised in contract work in progress	**(3,019)**	(2,918)
Less: amounts capitalised in construction in progress	**(16)**	—
	2,168	2,213
Amortisation of prepaid lease payments	**339**	339
Less: amounts capitalised in contract work in progress	**(339)**	(339)
	—	—
Staff costs (including directors' emoluments)		
Salaries and other benefits	**39,069**	23,662
Retirement benefits scheme contributions	**3,702**	2,820
	42,771	26,482
Less: amounts capitalised in contract work in progress	**(34,928)**	(21,644)
Less: amounts capitalised in construction in progress	**(85)**	—
	7,758	4,838
Operating lease rentals in respect of:		
Plant and machinery	**960**	960
Premises	**4,022**	3,300
	4,982	4,260
Less: amounts capitalised in contracts work in progress	**(4,260)**	(4,260)
	722	—
Research cost recognised as an expense	**600**	600
Loss on disposal of property, plant and equipment	**310**	517
Contract work in progress recognised as expense	**923,963**	695,848
Net exchange loss (gain)	**2,383**	(178)

16. DIVIDENDS

The final dividend of RMB5.5 cents (equivalent to HK7.1 cents) in respect of the year ended 31 December 2013 (2012: nil in respect of the year ended 31 December 2012) per share has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

17. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year ended 31 December 2013 is based on the profit for the year attributable to owners of the Company of approximately RMB294,022,000 (2012: RMB203,827,000) and the weighted average number of ordinary shares in issue during the year ended 31 December 2013 of approximately 1,266,849,000 (2012: 1,200,000,000) on the assumption that the Corporate Reorganisation and the capitalisation issue as set out in note 29(d) had been completed on 1 January 2012. No diluted earnings per share is presented for both years as there was no potential ordinary share outstanding.

18. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress RMB'000	Buildings and structures RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Leasehold improvement RMB'000	Total RMB'000
COST							
At 1 January 2012	—	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	4,084	25,799	600	—	247	322	31,052
Reclassification	(4,009)	4,009	—	—	—	—	—
Disposals/written off	—	(420)	(1,115)	(249)	(102)	—	(1,886)
At 31 December 2013	**75**	**65,319**	**18,306**	**5,345**	**1,211**	**322**	**90,578**
DEPRECIATION							
At 1 January 2012	—	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/written off	—	(201)	(1,117)	(545)	(1,298)	—	(3,161)
At 31 December 2012	—	9,280	9,182	3,135	585	—	22,182
Provided for the year	—	2,066	2,085	762	213	77	5,203
Disposal	—	(183)	(1,059)	(237)	(97)	—	(1,576)
At 31 December 2013	**—**	**11,163**	**10,208**	**3,660**	**701**	**77**	**25,809**
CARRYING VALUES							
At 31 December 2013	**75**	**54,156**	**8,098**	**1,685**	**510**	**245**	**64,769**
At 31 December 2012	—	26,651	9,639	2,459	481	—	39,230

18. PROPERTY, PLANT AND EQUIPMENT — CONTINUED

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 value, at the following rates per annum:

Buildings and structures	5%
Plant and machinery	10%
Office equipment	5%–19%
Motor vehicles	10%–19%
Leasehold improvement	Over the remaining lease period of the office premise

The Group's buildings are situated on leasehold land in the PRC under medium term lease.

19. PREPAID LEASE PAYMENTS

	2013 RMB'000	2012 RMB'000
The carrying value of land comprises:		
Leasehold land in the PRC under medium-term lease	**14,710**	15,049
Analysed for reporting purposes as:		
Non-current asset	**14,371**	14,710
Current asset	**339**	339
	14,710	15,049

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 a 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. During the year ended 31 December 2013, the property was delivered to the Group by the developer and the legal title of the relevant property was obtained by the Group. Therefore, the deposits were transferred to buildings and structures classified under property, plant and equipment during the year ended 31 December 2013.

21. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	2013 RMB'000	2012 RMB'000
Contracts in progress at the end of the year:		
Contract costs incurred	**1,051,531**	768,299
Recognised profits less recognised losses	**569,363**	399,488
	1,620,894	1,167,787
Less: progress billings	**(1,624,610)**	(1,173,645)
	(3,716)	(5,858)
Analysed for reporting purposes as:		
Amounts due from contract customers	**2,944**	2,414
Amounts due to contract customers	**(6,660)**	(8,272)
	(3,716)	(5,858)

As at 31 December 2013, retention held by customers for contract work amounting to RMB209,365,000 (2012: RMB161,183,000) have been included in trade receivables under current assets. Advances received from customers for contract work not yet commenced at 31 December 2013 amounting to RMB4,530,000 (2012: RMB52,472,000) have been included in other payables and accruals under current liabilities.

22. TRADE RECEIVABLES

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 receivables, net of allowance for doubtful debts, presented based on the date of progress billing at the end of the year.

	2013 RMB'000	2012 RMB'000
0–30 days	72,979	41,152
31–90 days	107,559	22,290
91–180 days	7,770	4,500
	188,308	67,942
Retention receivables	209,365	161,183
	397,673	229,125
Retention receivables		
Due within 1 year	147,534	65,155
Due after 1 year	61,831	96,028
	209,365	161,183

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 receivables balances that are neither past due nor impaired at the end of the reporting period is of good quality.

Included in the Group's trade receivables are debtors with aggregate carrying amount of approximately RMB24,834,000 as at 31 December 2013 (2012: RMB4,820,000), which are past due as at the end of the year for which the Group has not provided for impairment loss.

22. TRADE RECEIVABLES — CONTINUED

Ageing of trade receivables which are past due but not impaired:

	2013 RMB'000	2012 RMB'000
0–30 days	3,300	4,020
31–90 days	21,534	800
	24,834	4,820

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.

23. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2013 RMB'000	2012 RMB'000
Other receivables	2	11
Deposits paid	787	375
Prepayments	2,310	3,668
	3,099	4,054

Included in the prepayments as at 31 December 2012 were transactions costs of RMB3,276,000 directly attributable to the issue of new shares of the Company. The amounts were accounted for as a deduction from equity upon the listing of shares of the Company on the Stock Exchange.

24. BANK BALANCES

At 31 December 2013, bank balances carry interest at prevailing market rates ranged from 0.01% to 0.35% (2012: 0.35%) per annum.

25. TRADE PAYABLES

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

	2013 RMB'000	2012 RMB'000
0–30 days	**63,256**	26,635
31–90 days	**4,922**	3,978
91–180 days	**—**	425
181 days–1 year	**—**	—
Over 1 year	**—**	66
	68,178	31,104
Retention payables	**10,729**	7,576
	78,907	38,680
Retention payables		
Due within 1 year	**9,397**	7,523
Due after 1 year	**1,332**	53
	10,729	7,576

26. OTHER PAYABLES AND ACCRUALS

	2013 RMB'000	2012 RMB'000
Accrued wages and staff benefits	**10,559**	9,045
Other accrued expenses	**2,342**	3,486
Advance from customers for contract work	**4,530**	52,472
Other tax payables	**10,919**	5,984
Other payables	**40**	40
	28,390	71,027

27. 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. The balance was fully repaid upon the listing of shares of the Company on the Stock Exchange.

28. DEFERRED TAX LIABILITY

	Withholding tax on undistributed earnings RMB'000
At 1 January 2012	19,308
Charge for the year	23,365
At 31 December 2012	42,673
Release upon distribution of earnings	(9,750)
Charge for the year	31,485
At 31 December 2013	**64,408**

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. During the year ended 31 December 2013, deferred tax charge of RMB31,485,000 (2012: RMB23,365,000) on undistributed earnings has been recognised in the consolidated statement of profit or loss and other comprehensive income.

29. SHARE CAPITAL

	Notes	Number of shares at HK$0.10 per share	Amount HK$'000	Shown in the consolidated financial statements RMB'000
Authorised:				
At 31 July 2012 (date of incorporation) and 31 December 2012	(a)	3,800,000	380	
Increase in authorised share capital	(c)	4,996,200,000	499,620	
At 31 December 2013		**5,000,000,000**	**500,000**	
Issued:				
Allotted and issued nil-paid on 31 July 2012 (date of incorporation)	(a)	1	—	—
Issue of shares pursuant to the Corporate Reorganisation	(b)	999,999	100	80
At 31 December 2012		1,000,000	100	80
Capitalisation issue of shares	(d)	1,199,000,000	119,900	94,910
Issue of shares pursuant to the global offering	(e)	400,000,000	40,000	31,663
At 31 December 2013		**1,600,000,000**	**160,000**	**126,653**

The following changes in the share capital of the Company took place during the period from 31 July 2012 (date of incorporation) to 31 December 2013.

(a) The Company was incorporated on 31 July 2012 in the Cayman Islands with an authorised share capital of HK$380,000 divided into 3,800,000 ordinary shares of HK$0.01 each. Upon incorporation, one ordinary share was allotted and issued, nil paid, to the subscriber which was transferred to Keen Luck on the same day.

29. SHARE CAPITAL — CONTINUED

(b) Pursuant to an equity transfer agreement on 28 December 2012 entered into between Site Holdings Pte. Ltd. ("Site Holdings"), a wholly-owned subsidiary of Keen Luck, and China Saite (Overseas) Company Limited, a wholly-owned subsidiary of the Company, Site Holdings agreed to transfer its holding of the entire equity interest in Modern Day Holdings Limited to China Saite (Overseas) Company Limited, 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; 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.

(c) On 11 October 2013, the authorised share capital of the Company was increased from HK$380,000 to HK$500,000,000 by the creation of the additional 4,996,200,000 new shares of HK$0.10 each. These new shares rank pari passu in all respects with the existing shares.

(d) Pursuant to the written resolutions passed by all shareholders of the Company dated 11 October 2013, 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 such sum in paying up in full at par 1,199,000,000 ordinary shares of HK$0.10 each of the Company for allotment and issue to the shareholders of the Company 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, conditional on the share premium account of the Company being credited as a result of the issue of shares by the Company pursuant to the global offering.

(e) On 1 November 2013, 400,000,000 ordinary shares of HK$0.10 each of the Company were issued at a price of HK$1.03 by way of global offering. On the same date, the Company's shares were listed on the Stock Exchange. The proceeds of HK$40,000,000 (equivalent to RMB31,663,000) representing the par value of the shares of the Company, were credited to the Company's share capital. The remaining proceeds of HK$372,000,000 (equivalent to RMB294,466,000), before issuing expenses, were credited to share premium account.

30. SHARE OPTION SCHEME

On 11 October 2013, the Company conditionally adopted a share option scheme (the "Scheme") pursuant to a resolution passed by its then shareholders on 11 October 2013, for the primary purpose of providing incentives or rewards to eligible employees, non-executive directors of the Company and other selected participants. The adoption of the Scheme became unconditional upon the listing of the Company on 1 November 2013.

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 Scheme and any other share option scheme of the Group must not exceed 30% of the issued share capital of the Company from time to time. The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the issued share capital of the Company on the date of listing on the Stock Exchange, without prior approval from the Company's shareholders. The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option scheme of the Group to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 21 days of the date of the offer grant. A nominal consideration of HK$1.00 is payable on acceptance of the grant of an option.

Options may be exercised at any time from the date of acceptance of the share option to such date as determined by the directors of the Company but in any event not exceeding 10 years. The exercise price is determined by the directors of the Company, but shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of the offer of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a share.

No share option has been granted since the adoption of the scheme.

31. MAJOR NON-CASH TRANSACTIONS

The Group's major non-cash transactions are disclosed in notes 20 and 29 above.

32. RETIREMENT BENEFITS SCHEMES

The employees of the Company's subsidiaries established in the PRC are members of state-managed retirement benefits schemes operated by the PRC government. The subsidiaries are required to contribute a specific percentage of the total monthly basic salaries to the retirement benefits schemes. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

The retirement benefit contributions of the Directors and staffs for the year end are stated in notes 12 and 15 respectively.

33. OPERATING LEASE COMMITMENTS

The Group as lessee

At 31 December 2013, the Group had commitment for future minimum lease payment under non-cancellable operating leases in respect of rented premises and plant and machinery which fall due as follows:

	2013 **RMB'000**	2012 RMB'000
Plant and machinery		
Within one year	**96**	288
Premises		
Within one year	**2,734**	825
In the second to fifth year inclusive	**917**	—
	3,651	825

The leases of the Group are negotiated for terms ranging from one to two years at fixed rental.

34. CAPITAL COMMITMENTS

	2013 RMB'000	2012 RMB'000
Capital expenditure authorised but not contracted for in respect of:		
— Acquisition or construction of factory premises and expansion of production capacity	**156,074**	3,619
— Acquisition of steel structure construction business and related production facilities	**32,311**	—

35. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of Executive Directors and other members of key management for both years were as follows:

	2013 RMB'000	2012 RMB'000
Short-term benefits	**2,149**	990
Contributions to retirement benefits scheme	**50**	50
	2,199	1,040

36. FINANCIAL INFORMATION OF THE COMPANY

(a) Financial information of the financial position of the Company

	2013 RMB'000	2012 RMB'000
Non-current asset		
Investment in a subsidiary	**602,740**	464,636
Current assets		
Prepayments	**1,372**	—
Amounts due from subsidiaries	**123,676**	—
Bank balances	**26,813**	—
	151,861	—
Current liability		
Other payables and accruals	**1,531**	—
Net current assets	**150,330**	—
Total assets less current liability	**753,070**	464,636
Capital and reserves		
Share capital (see note 29)	**126,653**	80
Reserves	**626,417**	464,556
Total equity	**753,070**	464,636

36. FINANCIAL INFORMATION OF THE COMPANY — CONTINUED

(b) Movement of capital and reserves of the Company

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Accumulated loss RMB'000	Total RMB'000
At 31 July 2012 (date of incorporation)	—	—	—	—	—
Issue of shares pursuant to the Corporate Reorganisation (note 29(b))	80	—	464,556	—	464,636
At 31 December 2012	80	—	464,556	—	464,636
Loss and total comprehensive expense for the year	—	—	—	(14,458)	(14,458)
Capitalisation issue of shares (note 29(d))	94,910	(94,910)	—	—	—
Issue of shares pursuant to the global offering (note 29(e))	31,663	294,466	—	—	326,129
Expenses incurred in connection with issue of new shares	—	(23,237)	—	—	(23,237)
At 31 December 2013	**126,653**	**176,319**	**464,556**	**(14,458)**	**753,070**

(c) Investment in a subsidiary

	2013 RMB'000	2012 RMB'000
Unlisted share, at deemed cost	**602,740**	464,636

During the year ended 31 December 2013, the Company made additional capital contribution of RMB138,104,000 to its subsidiaries.

(d) Amounts due from subsidiaries

The amounts due from subsidiaries are unsecured and interest-free.

Except for the amount due from a subsidiary of RMB100,000,000, which is repayable within one year, the remaining amounts due from subsidiaries are repayable on demand.

37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Place and date of incorporation/ establishment	Equity interest attributable to the Company		Issued and fully paid share capital/ registered capital	Principal activity
		2013	2012		
Modern Day Holdings Limited	Hong Kong 22 February 2011	**100%**	100%	Ordinary shares HK$1,000,000	Investment holding
China Saite (Overseas) Company Limited	British Virgin Islands 21 June 2012	**100%**	100%	Ordinary share US$1	Investment holding
China Saite (H.K.) Company Limited	Hong Kong 23 July 2012	**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 (note a)	PRC 2 July 2012	**100%**	100%	Registered capital RMB16,667,000 Paid-up capital RMB16,667,000	Investment holding
江蘇賽特鋼結構有限公司 Jiangsu Saite Steel Structure Co., Ltd. (note b)	PRC 24 September 1998	**100%**	100%	Registered capital RMB246,667,000 Paid-up capital RMB201,667,000 (2012: Registered capital RMB66,667,000 Paid-up 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.

Four-Year Financial Summary

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last four financial years, as extracted from the audited consolidated financial statements of the Group, is as follows:

Results

	Year Ended 31 December			
	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**1,427,185**	1,048,078	646,818	406,904
Profit before tax	**443,508**	308,233	171,549	89,040
Income tax expense	**(149,486)**	(104,406)	(53,587)	(27,758)
Profit and total comprehensive income for the year attributable to owners of the Company	**294,022**	203,827	117,962	61,282
Earnings per share				
Basic (RMB cents)	**23.21**	16.99	9.83	5.11

Assets and Liabilities

	At 31 December			
	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**79,140**	80,772	86,203	68,886
Current assets	**1,189,600**	564,978	477,637	292,096
Current liabilities	**(142,782)**	(138,441)	(350,390)	(207,837)
Non-current liabilities	**(64,408)**	(42,673)	(19,308)	(9,365)
Total Equity	**1,061,550**	464,636	194,142	143,780