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

(incorporated in the Cayman Islands with limited liability)

Stock Code : 153

Interim Report 2014

Contents

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA ("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 Corporation
(Yixing Gaocheng Branch)
Agricultural Bank of China Limited
(Yixing Chengzhong Branch)
Jiangsu Yixing Rural Commercial Bank Co., Ltd.
(Gaocheng Branch)
Bank of Shanghai Co., Ltd. (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

Management Discussion and Analysis

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

BUSINESS REVIEW

China Saite Group Company Limited (the "Company", together with its subsidiaries, the "Group") is a provider of integrated construction solutions using steel structures and prefabricated components. All of the Group's integrated construction solutions are highly customised to meet the technical specifications, requirements and demands of different projects and customers, facilitated through the provision of a wide range of services, including design for customers, secondary detailed design, compilation, installation, and after-sales services.

Its steel structure solutions are mainly focused 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. In the first half of 2014, the Group expanded its overseas business in addition to developing the markets of second-tier and third-tier cities, while making adequate adjustments to its project mix.

Its prefabricated construction solutions are mainly focused on the construction of social security housing and public structure projects in the urbanisation process driven by the PRC government.

Steel structure

Suzhou Anderson Bridge
(蘇州安德遜十大橋)

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

To support the implementation of the "12th Five-year Plan" of the PRC and the gradual progress of urbanisation, as well as to utilise the excessive production capacity of the PRC steel industry, the PRC government has been actively promoting the application of steel structure products in various areas, in a bid to expand the market for steel structure construction. However, China's economic growth was slowing down in the first half of 2014, resulting in deferred progress of certain infrastructure construction and decreasing demand for steel structure products. In response to the change of market conditions, the Group fine-tuned its corporate strategy in a timely manner during the first half of the year to adjust the mix of steel structure projects. Specifically, the Group made plans to establish its presence in the second-tier and third-tier cities in Central-Western China and Northern China where infrastructures were relatively under-developed, and to develop overseas businesses with good potential. Meanwhile, the Group continued to refrain from entering into project contracts that had lower profit margin or unfavourable payment terms, aiming to maintain healthy development of its steel structure business.

In the first half of the year, the Group secured and completed a number of steel structure projects in various applications, such as factories, bridges and 4S automobile dealership stores. Furthermore, the Group also secured and completed a number of national transportation infrastructure projects, gaining broad recognition from customers as it showcased its outstanding execution abilities. Export orders for the Group's steel structure products grew during the period under review, placed by buyers from Australia, Bangladesh and Vietnam, etc.. The Group is currently in active negotiations with a number of major domestic enterprises, striving to export its steel structure products to more overseas markets.

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

In the first half of 2014, the Group secured and completed a number of steel structure projects, and the completed projects in the first half of 2014 are as follows:

Types of project	Number of projects
Factories	4
4S automobile dealership store	1
Public utilities — bridges	3
Export orders of steel structure	1
Total	9

As at 30 June 2014, the Group's steel structure projects which are in progress are set out as follows:

Types of project	Number of projects
Factories	2
Public utilities — bridges	1
Export orders of steel structure	4
Total	7

The abovementioned steel structure projects which are in progress are expected to be completed in the second half of 2014 or in 2015.

Prefabricated construction business

Prefabricated construction mainly involves the pre-production of major 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 advantages of better prefabrication capability, higher accuracy, stronger shock resistance, shorter construction lead-time, and a higher degree of environmental friendliness, which are in perfect tandem with the objectives of environmental protection in the PRC, particularly in green construction areas. With the encouragement and support of the PRC government through various policies, the Group believes that the embryonic sector of prefabricated construction is set to become a major trend in the development of the PRC construction industry. In particular, the large scale construction of social security housing to improve people's livelihood as part of the urbanisation process implemented by the PRC Government is expected to bring huge demand for prefabricated construction.

The Group is one of the largest prefabricated construction service providers in Jiangsu Province of the Yangtze River Delta Region in terms of revenue. Following diligent efforts over the years, the Group obtained a number of patented technologies in prefabricated construction and commenced its prefabricated construction business at the end of 2010, winning wide recognition with the acquisition and completion of a number of social security housing projects of the government.

In June 2014, the Group also entered into strategic cooperation framework agreements with each of Beijing Urban Construction Group (北京城建集團) and Shanghai Urban Construction Group (上海城建集團) for civic construction projects, which included the construction of social security housing, municipal facilities, transportation as well as industrial/civil construction, with a view to developing strategic cooperation in connection with prefabricated construction projects outside of Jiangsu province.

In the first half of 2014, the Group secured and completed various prefabricated construction projects, the details of which are set out below:

Completed projects

Hongxing Garden, Yixing City
Shangjia Garden, Gaosheng, Yixing City
Shangshui Garden, Yixing City
Gymnasium of Gaosheng Primary School, Yixing City

As at 30 June 2014, the Group had four social security housing projects in progress under the prefabricated construction business as set out below:

Projects in progress

Shangshui Garden Phase III, Yixing City
Zhangze Social Security Housing for Relocation, Yixing City
Tangqian Renjia Social Security Housing for Relocation, Yixing City
Shangshui Garden Phase IV, Yixing City

Apart from entering into construction contracts for the latter phases of construction for social security housing projects previously undertaken by the Group, such as Shangshui Garden Phases III and IV, the Group also succeeded in obtaining contracts for new social security housing projects, such as Zhangze Social Security Housing for Relocation and Tangqian Renjia Social Security Housing for Relocation. The above-mentioned prefabricated construction projects which are in progress are expected to be completed in the second half of 2014 to 2015.

Contract amount of steel structure projects and prefabricated construction projects of the Group during the first half of 2014

The table below sets out the revenue from the two business segments of the Group in the first half of 2014:

Unit: RMB'000	For the six months ended 30 June 2014		
	Steel structure projects	Prefabricated construction projects	Subtotal
Opening value of backlog	**200,827**	**213,338**	**414,165**
Net value of new contracts	**292,577**	**398,473**	**691,050**
Revenue recognised	**381,884**	**294,818**	**676,702**
Closing value of backlog	**111,520**	**316,993**	**428,513**

	For the six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Opening value of backlog	**414,165**	467,925
Net value of new contracts	**691,050**	1,101,077
Revenue recognised	**676,702**	815,281
Closing value of backlog	**428,513**	753,721
— Steel structure projects	**111,520**	293,682
— Prefabricated construction projects	**316,993**	460,039
Average contract amount	**37,330**	62,980

In the first half of the year, the value of new contracts declined by approximately 37.2% to approximately RMB691.0 million (the first half of 2013: approximately RMB1,101.1 million) with the number of new contracts decreased to 9 (the first half of 2013: 13) in the same period. The average contract amount declined by approximately 40.7% to approximately RMB37.3 million (the first half of 2013: approximately RMB63.0 million), mainly due to the deferred execution of certain contracts with relatively higher contract amounts in the first half of 2014.

Production capacity

	Steel structure parts (tons)		Prefabricated construction materials (sq. m.)	
	For the six months ended 30 June			
	2014	2013	**2014**	2013
Designed production capacity	**60,500**	59,700	**221,000**	132,800

As set out in the section headed "Future plans and use of proceeds from the Global Offering" in the prospectus of the Company (the "Prospectus") dated 22 October 2013 in relation to its global offering (the "Global Offering"), 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 proceeds from the Global Offering last year, 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 stability of such new models of machineries when further information is available in 2014. During the period under review, the Group has acquired additional equipments to achieve the planned designed production capacity for prefabricated construction materials, and it is expected that the designed production capacity of the Group may only meet the expected level for the year ended 31 December 2013 as set out in the Prospectus upon completion of the installment and testing of such equipments by the end of 2014.

FINANCIAL REVIEW

Revenue

For the period ended 30 June 2014, the Group's revenue was approximately RMB676.7 million, representing a decrease of approximately RMB138.6 million or 17.0% as compared with that for the period ended 30 June 2013. The following table sets out a breakdown of the Group's revenue in terms of steel structure projects and prefabricated construction projects for each of the periods indicated:

	For the six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Construction of		
— Steel structure projects	**381,884**	549,650
— Prefabricated construction projects	**294,818**	265,631
Total	**676,702**	815,281

The revenue generated from steel structure projects accounted for approximately 56.4% of the Group's total revenue for the six months ended 30 June 2014 as compared with approximately 67.4% for the period ended 30 June 2013. Prefabricated construction projects accounted for approximately 43.6% of the Group's total revenue for the period ended 30 June 2014 as compared with approximately 32.6% for the period ended 30 June 2013. The major reason for the change in proportion to revenue was the Group made a strategic move to adjust the mix of steel structure projects, which led to decrease in both number of and revenue from the steel structure projects completed during this period and resulted in its declined proportion to revenue. Meanwhile, during the period under review, the Group recorded an increase in the number of and revenue from prefabricated construction projects, thereby increasing its proportion in the Group's revenue.

The revenue attributable to steel structure projects decreased by approximately 30.5% from approximately RMB549.7 million for the six months ended 30 June 2013 to approximately RMB381.9 million for the six months ended 30 June 2014. The decrease was primarily because the Group made an adequate adjustment to its corporate strategy to adjust the mix of steel structure projects in response to the market conditions. The Group continued to refrain from entering into project contracts which had relatively lower profit margin or less favourable payment terms. Meanwhile, the Group commenced to make presence in the second-tier and third-tier cities in Central-Western China and Northern China where infrastructures were relatively under-developed, and to develop its overseas business with development potential.

The revenue attributable to prefabricated construction projects increased by approximately 11.0% from approximately RMB265.6 million for the six months ended 30 June 2013 to approximately RMB294.8 million for the six months ended 30 June 2014. The increase was primarily due to the Group's promotion for the application 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 in terms of steel structure projects and prefabricated construction projects for the six months ended 30 June 2014 and the six months ended 30 June 2013:

	For the six months ended 30 June			
	2014		2013	
	RMB'000	**%**	RMB'000	%
Steel structure projects	**101,482**	**26.6**	156,062	28.4
Prefabricated construction projects	**109,401**	**37.1**	111,419	41.9
Total	**210,883**	**31.2**	267,481	32.8

For the six months ended 30 June 2014, the overall gross profit margin maintained at approximately 31.2%, which remained stable as compared to the gross profit margin of approximately 32.8% for the six months ended 30 June 2013.

The gross profit margin of steel structure projects remained stable and decreased slightly from approximately 28.4% for the six months ended 30 June 2013 to 26.6% for the six months ended 30 June 2014.

The Group's gross profit margin of the prefabricated construction projects decreased slightly to approximately 37.1% for the six months ended 30 June 2014, compared to approximately 41.9% for the six months ended 30 June 2013. The slight decrease in the gross profit margin of the prefabricated construction projects was primarily because the Group adjusted the contract price of its new prefabricated construction projects according to the market conditions and further promoted the application in the social security housing projects by identifying new clients and expanding market share. However, the Group believes that the prefabricated construction projects are capable of maintaining a stable gross profit margin for now.

Capital structure, liquidity and financial resources

During the six months ended 30 June 2014, the Group's net cash generated from operating activities was approximately RMB142.0 million (the first half of 2013: RMB189.9 million) and the Group's cash and cash equivalents was approximately RMB854.4 million (31 December 2013: RMB785.5 million).

Total equity of the Group as at 30 June 2014 was approximately RMB1,109.1 million (31 December 2013: RMB1,061.6 million). As at 30 June 2014, the Company's issued share capital was HK$160,000,000 (31 December 2013: HK$160,000,000) with 1,600,000,000 (31 December 2013: 1,600,000,000) Shares in issue. The Group does not have any outstanding bank loan as at 30 June 2014 (31 December 2013: nil).

Significant investments held

During the period under review, except for investments in subsidiaries, the Group did not hold any significant investment in equity interest in any other company.

Material acquisitions and disposals of subsidiaries and associated companies

The Group had no material acquisitions and disposals of subsidiaries and associated companies during the period under review.

Charge on assets

As at 30 June 2014, the Group did not have any charge of assets.

Future plans for material investments and capital assets

Save as disclosed in the paragraphs headed "Production Capacity" and "Use of net proceeds from the Global Offering" of this report, the Group currently does not have any commitment or future plans for material investments and capital assets.

Gearing ratio

Gearing ratio is calculated based on total debt (including payable incurred not in the ordinary course of business) at the period end divided by equity attributable to our shareholders at the period end multiplied by 100%. As at 30 June 2014, the gearing ratio of the Group was 1.4% (31 December 2013: nil).

Foreign exchange exposure

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

Contingent liabilities

As at 30 June 2014, the Group had not provided any form of guarantee for any company outside the Group. The Group is not involved in any current material legal proceeding, nor is our Group aware of any pending or potential material legal proceeding involving the Group.

Employees

As at 30 June 2014, the Group employed approximately 477 employees. The related staff cost (including remuneration of directors of the Company (the "Directors") in the form of salaries and other benefits) for the six months ended 30 June 2014 was approximately RMB26.1 million (the first half of 2013: RMB19.8 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.

Event after the Reporting Period

There are no significant events subsequent to 30 June 2014 which would materially affect the Group's operating and financial performance as of the date of condensed consolidated financial statements.

Use of net proceeds from the Global Offering

The shares of the Company ("Shares") were listed on the Main Board of The Stock Exchange of Hong Kong Limited ("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 the date of this report, the Group has utilised approximately HK$36.4 million (equivalent to approximately RMB28.8 million) for its steel structure business and approximately HK$37.9 million (equivalent to approximately RMB30 million) for its prefabricated construction business. As at 30 June 2014, the unutilised proceeds have been deposited into the interest-bearing bank account with a licensed commercial bank in Hong Kong.

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. The Directors are not aware of any material change to the planned use of proceeds as at the date of this report.

FUTURE PROSPECTS AND STRATEGIES

With steel structure solution as its foundation, the Group has consistently maintained its leading position among the top five steel structure construction service providers in Jiangsu Province. The Group expects to maintain its position as an industry leader in the field of prefabricated construction solutions in the PRC, as a direction for its development and the driving force of its growth. The current development of the Group's steel structure solution as well as prefabricated construction solution is expected to foster a promising future for the Group.

The Directors are of the view that the development of a green, eco-friendly, energy-saving and low-carbon economy becomes an apparent trend for the PRC in its current crucial period of transformation and upgrade. The steel structure constructions are pioneering products in energy conservation, as the application of steel structures would reduce the consumption of unrecyclable materials, while construction wastes, noise and dust on the construction sites will generally be reduced. Currently, the prefabricated construction technology is one of the prevalent construction methods employed in the international construction industry, which can facilitate the industrialisation of construction, reduce the resources consumption, reduce the resources consumption, and enhance the quality of buildings constructed. Such method is also globally recognised as a sustainable development technology, with extensive promotion and applications in developed countries and a number of regions. In line with the trend of developing a green and eco-friendly society in the PRC, the Group will continue to explore development opportunities in the field of eco-friendly construction and the potential for development of businesses relating to steel structures or prefabricated construction with a focus on environmental protection.

Meanwhile, the Group expects to continue the strategic adjustment in its exposure to the steel structure construction industry in the second half of the year, expanding its business to second-tier and third-tier cities in Guizhou and Hubei in Central-Western China and Henan and Shandong in Northern China where business opportunities abound in the view of the Directors. The Group will also recruit and train additional employees, set up new offices and strive to increase its market share. The Group expects to continue to develop its export markets, and focus on the overseas construction aid projects of the PRC government and the overseas projects of China-funded enterprises through the master contract projects between the Group and large-sized construction group, so as to improve the operating efficiency of the Group and to maintain the healthy development of its steel structure offer business.

As required under the policies of the PRC government, the technology of prefabricated construction must be applied in 30% of social security housing nationwide by the end of 2016. The Group believes that this will usher in more enormous opportunities for its development, and will focus on undertaking social security housing projects for relocation. The Group has entered into strategic cooperation framework agreements with each of Beijing Urban Construction Group (北京城建集團) and Shanghai Urban Construction Group (上海城建集團), pursuant to which the Group will conduct extensive and comprehensive strategic cooperation on civic construction projects, such as social security housing, municipal facilities, transportation, and civic engineering. The Group will utilise its expertise with plans to introduce its services to other provinces and regions in the PRC, to drive robust growth in its prefabricated construction solution business.

The Group adjusted its steel structure project mix according to market needs and conditions in the first half of the year. Although there were changes in the revenue from this business, the Group remains prudently optimistic about the business for the second half of the year despite a continued slowdown in the growth of the PRC's economy. Leveraging proven experience and strong competitive edge, the Group's management will seize opportunities to grow and expand its business in a competitive environment, so as to continue to generate sound returns for its shareholders.

Other Information

DIRECTORS' INTEREST IN SHARES

As at 30 June 2014, 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 Group Limited ("Keen Luck"), which was owned as to approximately 57.65% by Champ Origin Limited ("Champ Origin"), approximately 30.59% by Pure Grand Limited ("Pure Grand") and approximately 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.

Save as disclosed above, as at 30 June 2014, 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 30 June 2014, 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 approximately 57.65% by Champ Origin, approximately 30.59% by Pure Grand and approximately 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 30 June 2014, 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 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. No share option has been granted since the adoption of the Scheme.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company (the "Audit Committee") consists of three independent non-executive Directors, namely Mr. Xu Jiaming, Mr. Chen Tiegang and Mr. Ma Chun Fung Horace. Mr. Ma Chun Fung Horace is the Chairman of the Audit Committee. The primary duties of the Audit Committee are to review and supervise the financial reporting process and the internal control procedures of our Group. The Audit Committee has reviewed the condensed consolidated financial statements for the six months ended 30 June 2014, including the accounting principles and practices adopted by the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2014, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions set out in the Corporate Governance Code as set out in the Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the six months ended 30 June 2014.

CHANGE IN A DIRECTOR'S BIOGRAPHICAL DETAILS

Change in a Director's biographical details since the date of the 2013 annual report of the Company, which are required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules, is set out below:

Name of Director	Details of change
Mr. Ma Chun Fung Horace	has ceased to be 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)) on 28 May 2014

Saved as disclosed above, the Company is not aware of other changes in the Directors' information which are required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has devised its own code of conduct regarding directors' 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 as set out in Appendix 10 to the Listing Rules and a warning to all directors 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 six months ended 30 June 2014. No incident of non-compliance of the Securities Dealing Code by the Directors was noted by the Company.

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

Hong Kong, 15 August 2014

Report on Review of Condensed Consolidated Financial Statements

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF CHINA SAITE GROUP COMPANY LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Saite Group Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 23 to 36, which comprise the condensed consolidated statement of financial position as of 30 June 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
15 August 2014

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	NOTES	Six months ended 30 June 2014 RMB'000 (Unaudited)	2013 RMB'000 (Audited)
Revenue	3	**676,702**	815,281
Cost of sales		**(465,819)**	(547,800)
Gross profit		**210,883**	267,481
Other income		**5,684**	2,627
Selling and marketing expenses		**(1,260)**	(1,027)
Administrative expenses		**(10,789)**	(6,360)
Other expenses		**—**	(11,169)
Profit before tax		**204,518**	251,552
Income tax expense	5	**(68,254)**	(85,199)
Profit and total comprehensive income for the period attributable to owners of the Company	6	**136,264**	166,353
Earnings per share	8		
Basic (RMB cents)		**8.52**	13.86

Condensed Consolidated Statement of Financial Position

AT 30 JUNE 2014

	NOTES	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	**62,212**	64,769
Prepaid lease payments		**14,202**	14,371
		76,414	79,140
Current assets			
Amounts due from customers for contract work	10	**2,407**	2,944
Trade receivables	11	**469,961**	397,673
Other receivables, deposits and prepayments		**3,098**	3,099
Prepaid lease payments		**339**	339
Bank balances and cash		**854,439**	785,545
		1,330,244	1,189,600
Current liabilities			
Amounts due to customers for contract work	10	**1,295**	6,660
Trade payables	12	**120,608**	78,907
Other payables and accruals		**36,359**	28,390
Amount due to a director	13	**15,240**	—
Tax liabilities		**44,103**	28,825
		217,605	142,782
Net current assets		**1,112,639**	1,046,818
Total assets less current liabilities		**1,189,053**	1,125,958
Non-current liability			
Deferred tax liability		**79,989**	64,408
		1,109,064	1,061,550
Capital and reserves			
Share capital	14	**126,653**	126,653
Reserves		**982,411**	934,897
Equity attributable to owners of the Company		**1,109,064**	1,061,550

Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000 (Note a)	Statutory reserves RMB'000 (Note b)	Retained profits RMB'000	Total RMB'000
At 1 January 2013 (audited)	80	—	66,587	33,334	364,635	464,636
Profit and total comprehensive income for the period	—	—	—	—	166,353	166,353
At 30 June 2013 (audited)	80	—	66,587	33,334	530,988	630,989
At 1 January 2014 (audited)	**126,653**	**176,319**	**66,587**	**69,098**	**622,893**	**1,061,550**
Profit and total comprehensive income for the period	**—**	**—**	**—**	**—**	**136,264**	**136,264**
Final dividend paid for the year ended 31 December 2013	**—**	**(88,750)**	**—**	**—**	**—**	**(88,750)**
At 30 June 2014 (unaudited)	**126,653**	**87,569**	**66,587**	**69,098**	**759,157**	**1,109,064**

Notes:

(a) Capital reserve represents

(i) waiver of amount due to former immediate holding company;

(ii) the difference between the nominal value of shares of the Company issued as consideration in exchange for the aggregate of the share capital of the subsidiary of the Company arising upon the corporate reorganisation (the "Corporate Reorganisation") to rationalise the Group's structure prior to listing of the Company's shares on the Stock Exchange of Hong Kong Limited; and

(iii) capital contribution from shareholders under the Corporate Reorganisation.

(b) 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.

Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Net cash from operating activities	**141,955**	189,935
Net cash from (used in) investing activities		
Interest received	**1,569**	867
Purchase of property, plant and equipment	**(1,120)**	(4,452)
	449	(3,585)
Net cash (used in) from financing activities		
Dividend paid	**(88,750)**	—
Advance from a director	**15,240**	5,232
	(73,510)	5,232
Net increase in cash and cash equivalents	**68,894**	191,582
Cash and cash equivalents at beginning of the period	**785,545**	329,046
Cash and cash equivalents at end of the period, represented by bank balances and cash	**854,439**	520,628

Notes to the Condensed Consolidated Financial Statements

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) — Int 21	Levies

The application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE

Revenue represents the revenue arising on construction contracts.

4. SEGMENT INFORMATION

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

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

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 contract is as follows:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Construction of		
— Steel structure projects	**381,884**	549,650
— Prefabricated construction projects	**294,818**	265,631
	676,702	815,281

Geographical information

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

4. SEGMENT INFORMATION — CONTINUED

Information about major customers

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Customer A[1]	**150,864**	*
Customer B[2]	*	111,966
Customer C[1]	*	191,255

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 period.

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Current tax:		
PRC Enterprise Income Tax	**52,673**	65,798
Deferred tax:		
Current period	**15,581**	19,401
	68,254	85,199

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 periods.

6. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(audited)
Profit and total comprehensive income for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**2,727**	2,376
Less: amounts capitalised in contract work in progress	**(1,324)**	(1,412)
Less: amounts capitalised in construction in progress	**—**	(16)
	1,403	948
Amortisation of prepaid lease payments	**169**	169
Less: amounts capitalised in contract work in progress	**(169)**	(169)
	—	—
Operating lease rentals in respect of:		
Plant and machinery	**480**	480
Premises	**2,505**	1,803
	2,985	2,283
Less: amounts capitalised in contracts work in progress	**(2,280)**	(2,130)
	705	153
Written off of property, plant and equipment	**950**	72
Contract work in progress recognised as expense	**456,394**	534,905
Net exchange gain	**(86)**	—
Interest income on bank deposits	**(1,569)**	(867)

7. DIVIDENDS

During the current interim period, a final dividend of RMB5.5 cents (equivalent to HK7.1 cents) per share in respect of the year ended 31 December 2013 (six months ended 30 June 2013: nil per share in respect of the year ended 31 December 2012) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the interim period amounted to RMB88,750,000 (six months ended 30 June 2013: nil).

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: nil).

8. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 30 June 2014 is based on the profit for the period attributable to owners of the Company of RMB136,264,000 (six months ended 30 June 2013: RMB166,353,000) and the weighted average number of ordinary shares in issue during the six months ended 30 June 2014 of approximately 1,600,000,000 (six months ended 30 June 2013: 1,200,000,000). The weighted average number of ordinary shares in issue during the six months ended 30 June 2013 was based on the assumption that the Corporate Reorganisation and the capitalisation issue had been completed on 1 January 2013.

No diluted earnings per share is presented for both periods as there was no potential ordinary share outstanding.

9. MOVEMENTS PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group incurred RMB1,054,000 (six months ended 30 June 2013: RMB4,009,000) on construction costs of structures in the factory premises and acquired plant and machinery of RMB18,000 (six months ended 30 June 2013: RMB421,000) and office equipment of RMB48,000 (six months ended 30 June 2013: RMB38,000). The Group has written off certain property, plant and equipment included in buildings and structures with carrying amount of RMB950,000 (six months ended 30 June 2013: RMB72,000).

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

	At 30 June 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited)
Contracts in progress at the end of the period:		
Contract costs incurred	**817,677**	1,051,531
Recognised profits less recognised losses	**422,827**	569,363
	1,240,504	1,620,894
Less: progress billings	**(1,239,392)**	(1,624,610)
	1,112	(3,716)
Analysed for reporting purposes as:		
Amounts due from contract customers	**2,407**	2,944
Amounts due to contract customers	**(1,295)**	(6,660)
	1,112	(3,716)

As at 30 June 2014, retention held by customers for contract work amounting to RMB204,032,000 (31 December 2013: RMB209,365,000) have been included in trade receivables under current assets. Advances received from customers for contract work not yet commenced at 30 June 2014 amounting to RMB8,947,000 (31 December 2013: RMB4,530,000) have been included in other payables and accruals under current liabilities.

11. 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 period.

	At 30 June 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited)
0–30 days	**153,712**	72,979
31–90 days	**78,958**	107,559
91–180 days	**31,104**	7,770
181 days–1 year	**2,155**	—
	265,929	188,308
Retention receivables	**204,032**	209,365
	469,961	397,673
Retention receivables		
Due within 1 year	**141,433**	147,534
Due after 1 year	**62,599**	61,831
	204,032	209,365

12. 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:

	At 30 June 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited)
0–30 days	**103,133**	63,256
31–90 days	**7,345**	4,922
	110,478	68,178
Retention payables	**10,130**	10,729
	120,608	78,907
Retention payables		
Due within 1 year	**10,130**	9,397
Due after 1 year	**—**	1,332
	10,130	10,729

13. AMOUNT DUE TO A DIRECTOR

The amount due to a director is unsecured, interest-free and repayable on demand.

The amount was subsequently settled in August 2014.

14. SHARE CAPITAL

	Number of shares at HK$0.10 per share	Amount HK$'000
Authorised:		
At 1 January 2014 and 30 June 2014	5,000,000,000	500,000
Issued:		
At 1 January 2014 and 30 June 2014	1,600,000,000	160,000
Shown in the condensed consolidated financial statements At 31 December 2013 and 30 June 2014	RMB'000 equivalent	126,653

15. CAPITAL COMMITMENTS

	At 30 June 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited)
Capital expenditure authorised but not contracted for in respect of:		
— Acquisition or construction of factory premises and production facilities for expansion of production capacity	**136,457**	156,074
— Acquisition of steel structure construction business and related production facilities	**32,311**	32,311
Capital expenditure authorised and contracted for in respect of:		
— Acquisition of production facilities for the expansion of production capacity	**42,000**	—

16. RELATED PARTY TRANSACTIONS

Details of the related party balance are disclosed in note 13.

Compensation of key management personnel

The remuneration of executive directors and other members of key management for both periods were as follows:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Short-term benefits	**1,079**	540
Contributions to retirement benefits scheme	**32**	24
	1,111	564