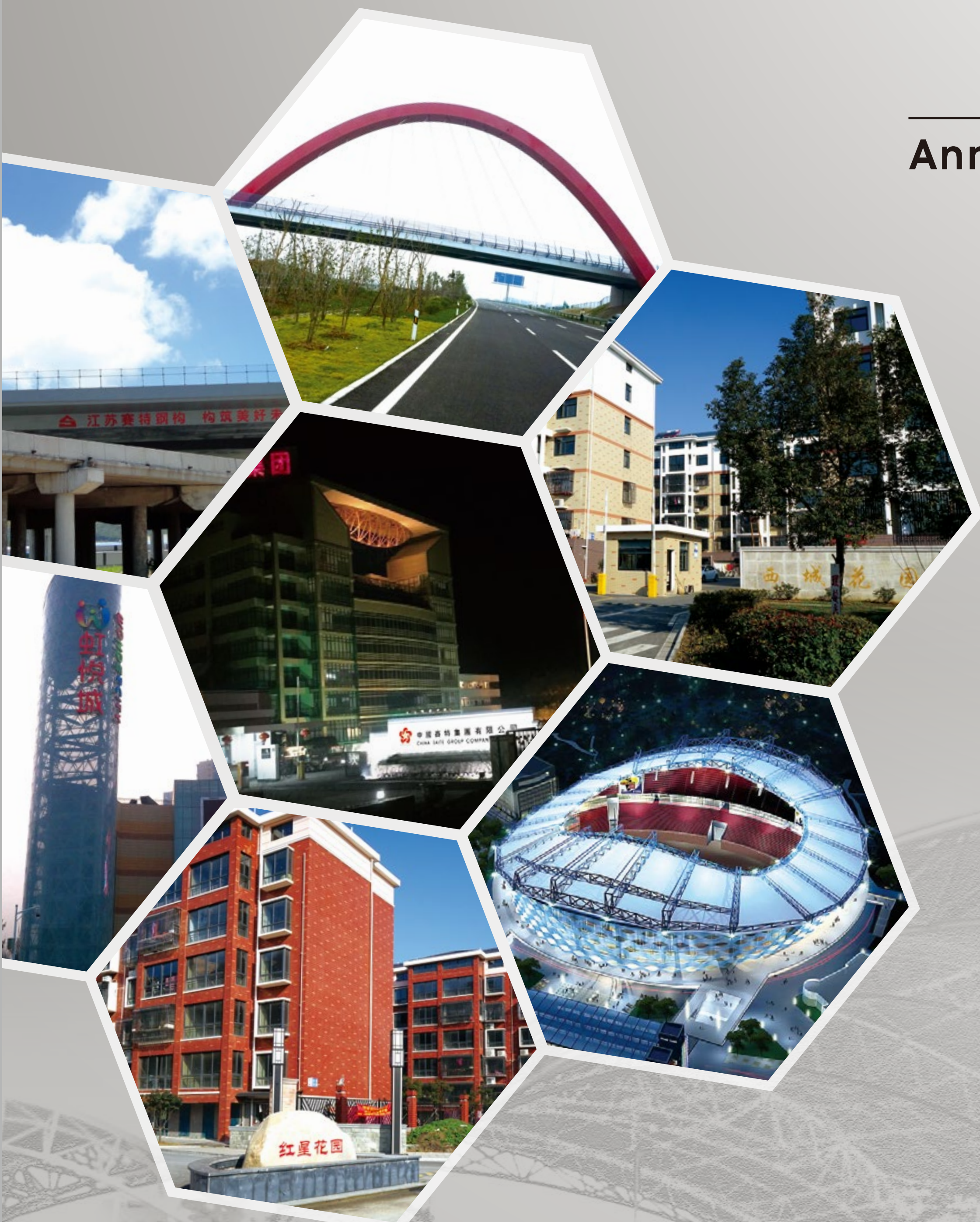
CHINA SAITE GROUP COMPANY LIMITED
中 國 賽 特 集 團 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 153

2014
Annual Report



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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 16 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., 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 ready assembling at the work site. The Group's prefabricated construction solution was mainly provided to social security housing projects in 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

HEADQUARTERS 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

In response to the changing market conditions, we made timely adjustment to our corporate growth strategy. Our sturdy performance for the year of 2014 reflected the notable results of the Group's adjustment of its strategic moves, leading to a satisfactory year-on-year increase in revenue and earnings.

Mr. Jiang Jianqiang, *Chairman*

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China Saite, I am pleased to present to you the annual results of the Group for the year ended 31 December 2014.

Despite an economic slowdown in the PRC in 2014, the Group still recorded a satisfactory performance in its core businesses and a stable growth in its results. In response to the changing market conditions, we made timely adjustment to our corporate growth strategy. We fine-tuned our steel structure projects portfolio by redirecting our business development focus to cities in Central and Western China as well as Northern China where infrastructure demand was relatively large, and achieved remarkable results. Simultaneously, the Group strove to undertake overseas projects and succeeded in expanding to overseas markets including Southeast Asia, Central Asia and Eastern Europe. Our sturdy performance for the year of 2014 reflected the notable results of the Group's adjustment of its strategic moves, leading to a satisfactory year-on-year increase in revenue and earnings.

With the competitive advantage in leading-edge technology, the Group's prefabricated construction business made significant progress in development during the year under review. The value of the new contracts for prefabricated construction projects that the Group secured in 2014 rose to approximately RMB778 million from approximately RMB445 million in 2013.

In view of the PRC government's increasing awareness of the importance of eco-friendly and energy conservation industries and greater support to these sectors through introduction of policies, the outlook for the growth in demand for energy saving equipment is promising. The Group is committed to expanding its business into manufacturing of eco-friendly equipment. The Group entered into a memorandum of understanding regarding the proposed acquisition of 51% equity interest in Jiangsu Chenli Eco-technology Company Limited (江蘇晨力環保科技有限公司) ("Jiangsu Chenli") at the end of January 2015. Jiangsu Chenli is principally engaged in the design, manufacture and installation of energy-conserving and eco-friendly equipment. The proposed acquisition will enable the Group to expand into businesses in connection with environmental protection, broaden its income stream and to be in line with its business focus to explore opportunities in the field of eco-friendly construction solutions and the potential for development of businesses relating to steel structures, or prefabricated construction with a focus on environmental protection.

The completion of the aforesaid acquisition will enable the Group to further diversify its business portfolio. We believe that the successful merger of the aforesaid eco-friendly business into the Group in 2015 will create more room for growth in revenue and earnings for the Group.

Looking ahead, the global economy will recover and the PRC's economy is expected to grow at a slower yet steady pace. Large infrastructure projects and rapid urbanisation development in the PRC will create huge demand for construction and industries meeting the requirements for energy-conservation and environmental protection. The Group's objective is to strive to capture such opportunities. As such, the Group will continue to consolidate its steel structure business by expanding its production capacity to increase its market share and maintain its leading position among the top five steel structure construction providers in Jiangsu Province. The Group will also expand its prefabricated construction services to other provinces in the PRC. We plan to acquire companies with sound fundamentals to serve as regional production bases for prefabricated construction components. In addition, the Group is teaming up with Southeast University and College of Design and Innovation of Tongji University (同濟設計學院) for continuous upgrade and update of prefabricated construction technology. Such a move is aimed at providing technical support to the Group's development, thereby enabling the Group to maintain its leading position in prefabricated construction technology.

The Group is also accelerating the progress of cooperation with Shanghai Urban Construction Group (上海城建集團) and Beijing Urban Construction Group (北京城建集團), being two large state-owned enterprises, to conduct strategic cooperation on civic construction projects, such as social security housing, municipal facilities, transportation, and civic engineering. Meanwhile, the Group is seeking suitable state-owned enterprises for the formation of alliance to achieve rapid development and increase its profit margin. The Group will continue to leverage its brand and customer loyalty to increase its market penetration. In addition, the Group has also won customers' trust with its quality services and product innovation. In 2015, the Group will continue to adopt a proactive yet prudent strategy to enhance the Group's core competence and competiveness.

Finally, on behalf of the Board, I would like to express my heartfelt thanks to the staff of China Saite for their contribution to the Group in the past year and to our shareholders for their continuous support. With 2015 expected to be a year full of opportunities and challenges, the Group is dedicated to creating greater value for its shareholders.

Jiang Jianqiang
Chairman

Hong Kong, 14 March 2015

Management Discussion and Analysis

As a provider of integrated construction solutions using steel structures and prefabricated components, the Group's integrated construction solutions are highly customised to meet the technical specifications, requirements and demands of different projects and customers, through the provision of a wide range of services, including customised design, secondary detailed design, compilation, installation, and after-sales services.

Our 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.

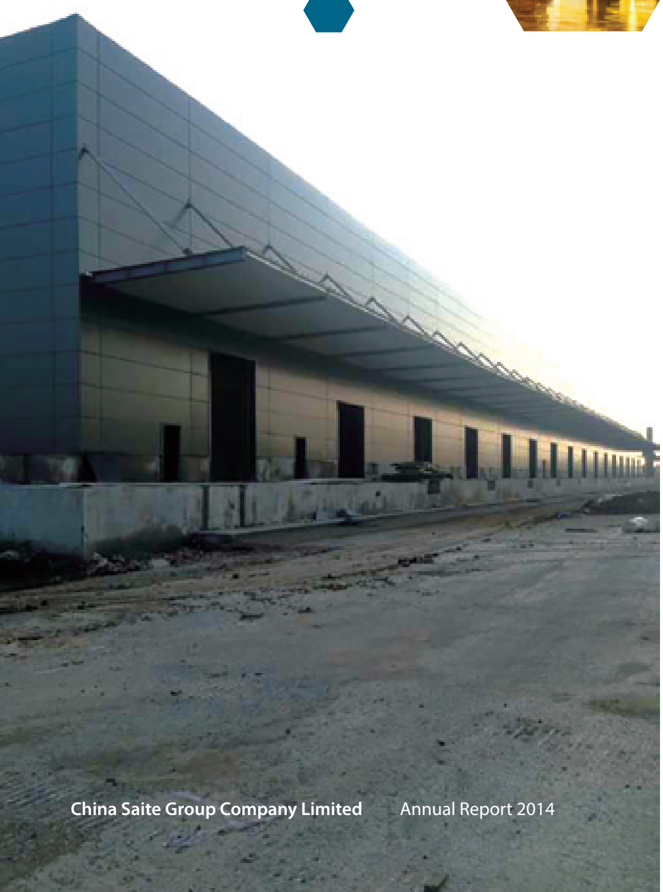
Our prefabricated construction solutions are mainly focused on the construction of social security housings and public structure projects in the urbanisation process driven by the PRC government.

BUSINESS REVIEW

In 2014, the total investment of fixed assets (excluding agricultural households) in the PRC amounted to approximately RMB50,200.5 billion, representing an increase of approximately 15.1% as compared with that of previous year, the lowest growth rate since 2001. The GDP growth rate during the year under review reached approximately 7.4%, which was the slowest pace in the past 24 years. The overall macro-economic environment has affected the demand for construction materials and related services to a certain extent. In particular, there was a significant decrease in the demand from the private sector.

With regard to its steel structure business, the Group, since the beginning of the year, made strategic moves to cope with the slowdown of economic growth, sluggish investment sentiment and keener competition in order to capture the business opportunities still arising from the government's continued infrastructure investment, encouragement to develop steel structures and new urbanisation process. As a result, the Group achieved a stable growth of its results. During the year under review, the Group leveraged its competitive edges and abundant enterprise resources to undertake various projects and expand its customer base.

With regard to our prefabricated construction business, the Group benefited from more favourable and supporting policies adopted by the PRC government, while the development of Western China also brought numerous business opportunities. The management of the Company was of the view that the more promising prospects of prefabricated construction market would attract more competition. Thus, the Group is determined to position itself at the forefront of the market and technology to capture business opportunities and cope with any challenges.

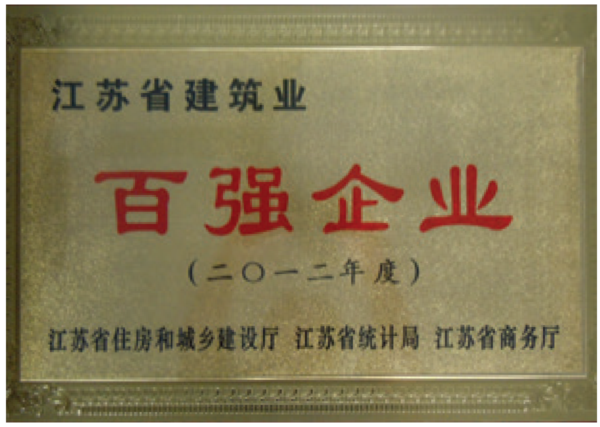


The Group's revenue for the year ended 31 December 2014 amounted to approximately RMB1,660.3 million (2013: RMB1,427.2 million). Gross profit for the year under review amounted to approximately RMB494.9 million (2013: RMB 481.2 million) and average gross profit margin was approximately 29.8% (2013: 33.7%). Profit attributable to owners of the Company amounted to approximately RMB309.7 million (2013: RMB294.0 million). Earnings per Share for the year under review was approximately RMB19.36 cents (2013: RMB23.21 cents).

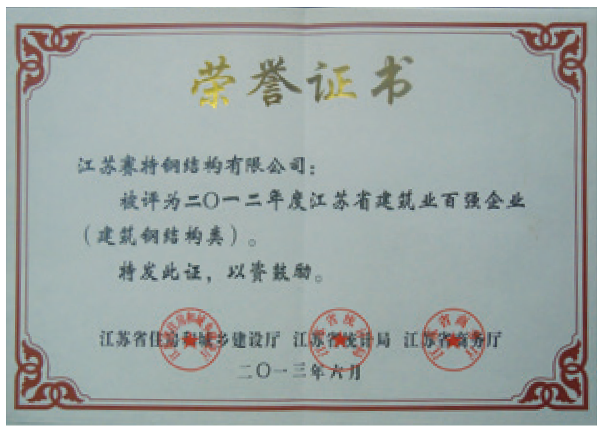
The Board recommended the final dividend payment of RMB1.93 cents (equivalent to HK2.44 cents) per Share for the year ended 31 December 2014 to the shareholders registered in the shareholder register of the Company at the end of business on Tuesday, 2 June 2015.

Steel structure

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. According to the list of top 100 construction enterprises in Jiangsu Province in 2013 issued by Jiangsu Provincial Department of Construction, the Group ranked among the top five steel structure construction service providers in Jiangsu Province.



For the year ended 31 December 2014, the revenue of the Group from steel structure business amounted to approximately RMB963.2 million, representing an increase of approximately 13.2% as compared with that of previous year. During the year under review, gross profit margin for steel structure business decreased by 3.4 percentage points to 26.1% as the proportion of export orders of steel structure with lower gross margin increased when compared with 2013. The completed steel structure parts for the year under review amounted to approximately 103,796 tons, representing an increase of 64.3% from 63,182 tons in 2013.



During the year, the Group successfully extended its footprint into overseas markets including Australia, Serbia, Tajikistan, Bangladesh, Vietnam and Cambodia for selling its steel structures.

In 2014, the Group completed 20 steel structure projects, details of which are set out as follows:

Types of Project	Number of projects Year ended 31 December 2014	2013
Public Structures	1	3
Export orders of steel structure	7	2
Bridges	4	3
Factories	8	11
Total	20	19

In terms of the types of project, export orders of steel structure recorded outstanding results. The export order projects completed during the year under review amounted to 7, representing an increase of 5 projects year on year, and the revenue generated from this type of project increased by approximately 2.3 times to approximately RMB398 million. The growth of this business sufficiently offset the decrease of revenues from other businesses. During the year under review, the number of completed projects under the bridge segment increased by one project when compared with 2013, i.e. 4 projects, but the revenue decreased by approximately 60% year on year to approximately RMB46.7 million. This was due to a drop in the average contract value of the bridge projects and the management's shift of resources to export business, which witnessed strong growth during the period. During the year under review, the number of completed projects under the factory segment was 8 projects, representing a decrease of 3 projects year on year, and the revenue decreased by approximately 28% year on year to approximately RMB223 million. This reflected the management's effort in trimming exposure to the factory segment, which tended to fetch low gross profit margin.

As at 31 December 2014, the steel structure projects in progress are set out as follows:

Types of Project	Number of projects Year ended 31 December 2014	2013
Public Structures	3	0
Bridges	2	3
Factories	3	4
Total	8	7

The above-mentioned steel structure projects in progress are expected to be completed in 2015.

Prefabricated construction

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 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 prefabricated construction is set to become a major trend in the development of the construction industry.

The Group is one of the largest prefabricated construction service providers in Jiangsu Province in terms of revenue. Following diligent efforts over the years, the Group obtained a number of patented technologies in prefabricated construction.

Benefited from the government's favourable policies, the Group was awarded with a number of contracts in relation to the government's social security housing projects in 2013 and 2014. For the year ended 31 December 2014, the Group completed 540,267 sq.m. of prefabricated construction material, up from 432,550 sq.m. in 2013. The revenue from prefabricated construction amounted to approximately RMB697.0 million in 2014, representing an increase of approximately 21.0% over the previous year.

During the year under review, the Group's prefabricated construction business entered into a cooperation contract with Shanghai Urban Construction (Group) Corp. (上海城建（集團）公司) with contract value amounting to RMB154 million. With the deepening cooperation with Shanghai Urban Construction, the Group has expanded the reach of its business activities to other regions outside Jiangsu Province. This will bring a promising future for the Group's development.

The Group has the competitive edges in terms of technology and as a first mover in this business. Against the backdrop of the government's policies on encouraging the construction industry to improve energy-saving, environmental protection and cost-efficiency and its vigorous dedication to the construction of the social security housing, the Group rapidly expanded the development of this business during the year under review. As a result, this business segment accounted for approximately 42% of the Group's total revenue for the year under review, as compared with 40.4% in the previous year. The Group plans to gradually increase the proportion of revenue generated from prefabricated construction projects in the future, striving to achieve an annual target of approximately 45%.

During the year under review, the Group 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) in relation to civic construction projects, including the construction of social security housing, municipal facilities, transportation, and civic construction. Through the cooperation with these two groups, the Group was able to expand the prefabricated construction business to other regions outside Jiangsu Province. The Group has extended the prefabricated construction business into Shanghai, which will be the Group's market focus in 2015. With a solid foundation, the Group's new business progressed smoothly during the year under review and the current year, which is believed to facilitate its business growth and market penetration in the regions outside Jiangsu Province.

In 2014, the Group completed 12 prefabricated construction projects, of which 11 projects were residential projects with a booked revenue of approximately RMB695.0 million.

Contract amounts of steel structure projects and prefabricated construction projects of the Group in 2014 in comparison with those in the previous year

	Year ended 31 December						
	2014			2013			
	Steel structure projects RMB'000	Prefabricated construction projects RMB'000	Total RMB'000	Steel structure projects RMB'000	Prefabricated construction projects RMB'000	Total RMB'000	Changes in the total amount for this reporting period as compared with the previous year (%)
Opening value of backlog at the beginning of the year	200,827	213,338	414,165	123,669	344,256	467,925	−11.5
Value of new contracts	864,621	778,147	1,642,768	928,411	445,013	1,373,424	19.6
Revenue recognised	963,247	697,038	1,660,285	851,253	575,932	1,427,185	16.3
Closing value of backlog	102,201	294,447	396,648	200,827	213,337	414,165	−4.2

The total amount of new contracts entered into by the Group was approximately RMB1,642.8 million in 2014. The average contract amount of projects with signed contracts increased to approximately RMB58.7 million in 2014 from approximately RMB54.9 million in 2013.

The amount of new contracts increased by approximately 19.6% from approximately RMB1,373.4 million in 2013 to approximately RMB1,642.8 million with the number of new contracts having increased to 28 (2013: 25). The closing value of backlog in 2014 decreased to approximately RMB396.6 million as compared with the closing value in 2013. Together with the new contract value of approximately RMB1,642.8 million in 2014, the Group was able to recognise revenue of approximately RMB1,660.3 million which was about approximately 16.3% higher than that in the previous year. It demonstrated the Group's increasing capability in project marketing and execution as well as its enhanced reputation and influence after listing, which in turn attracted more opportunities to the Group.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2014, the Group's revenue was approximately RMB1,660.3 million, representing an increase of approximately RMB233.1 million or 16.3% as compared with that for the year ended 31 December 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 years indicated:

	For the year ended 31 December			
	2014		2013	
	RMB'000	**Percentage (%)**	RMB'000	Percentage (%)
Construction of				
— Steel structure projects	**963,247**	**58.0**	851,253	59.6
— Prefabricated construction projects	**697,038**	**42.0**	575,932	40.4
Total	**1,660,285**	**100.0**	1,427,185	100.0

The revenue attributable to steel structure projects increased by approximately 13.2% from approximately RMB851.3 million for the year ended 31 December 2013 to approximately RMB963.2 million for the year ended 31 December 2014. The increase was mainly due to the modification of the Group's strategy, which focused on undertaking more large-scale projects instead of small-scale projects. Such increase was also driven by the rapid growth of the Group's overseas steel structure business as compared with that in 2013. Overseas markets (including Australia, Serbia, Tajikistan, Bangladesh, Vietnam and Cambodia) accounted for approximately 24.0% of the Group's revenue in 2014, showing an improvement from 17.7% in the previous year when overseas markets only comprised Australia and Vietnam in 2013.

In addition, the Group established its presence in other provinces in the PRC outside Jiangsu Province, such as Shanghai, Chongqing, Zhejiang, Anhui, Henan, Guizhou and Yunnan. The businesses outside Jiangsu Province accounted for approximately 24% of the Group's revenue in 2014, which was comparable with that in the previous year.

The administrative expenses as well as selling and marketing expenses increased as a result of the development of overseas markets and markets in provinces outside Jiangsu.

The revenue attributable to prefabricated construction projects increased by approximately 21.0% from approximately RMB575.9 million for the year ended 31 December 2013 to approximately RMB697.0 million for the year ended 31 December 2014. The increase was primarily attributable to the increase in the number of completed prefabricated construction projects from 8 in 2013 to 12 in 2014. During the year under review, business activities flourished in the second half of the year, during which the Group secured two new prefabricated construction projects of relatively large contract amounts, namely the Shanghai Urban Construction project and Hongxing Garden Phase II project. Furthermore, construction of a number of projects also commenced in the second half of the year.

Gross profit and gross profit margin

The following table sets out a breakdown of the Group's gross profit and gross profit margin ("GP margin") in terms of steel structure projects and prefabricated construction projects for each of the two years ended 31 December 2014:

	For the year ended 31 December			
	2014		2013	
	RMB'000	**GP margin %**	RMB'000	GP margin%
Construction of				
— Steel structure projects	**251,430**	**26.1**	251,448	29.5
— Prefabricated construction projects	**243,461**	**34.9**	229,672	39.9
Total	**494,891**	**29.8**	481,160	33.7

The gross profit attributable to steel structure projects amounted to approximately RMB251.43 million for the year ended 31 December 2014, similar to that of approximately RMB251.45 million for the year ended 31 December 2013. The gross profit margin of steel structure projects decreased from approximately 29.5% for the year ended 31 December 2013 to approximately 26.1% for the year ended 31 December 2014. The decrease was mainly due to the increase in the proportion of export orders of steel structure with lower gross margin when compared with 2013.

The revenue attributable to prefabricated construction projects increased by approximately 21% from approximately RMB575.9 million for the year ended 31 December 2013 to approximately RMB697.0 million for the year ended 31 December 2014. The gross profit increased by approximately 6% from approximately RMB229.7 million for the year ended 31 December 2013 to approximately RMB243.5 million for the year under review. Although the Group completed more prefabricated construction projects under the year under review, the number of those projects with higher gross profit of which the Group acted as a general contractor decreased and the number of projects for processed parts and projects cooperated with other entities as a sub-contractor increased, resulting in a lower gross profit margin. The gross profit margin attributable to prefabricated construction projects decreased from approximately 39.9% for the year ended 31 December 2013 to approximately 34.9% for the year ended 31 December 2014.

The Group's overall gross profit margin decreased from approximately 33.7% for the year ended 31 December 2013 to approximately 29.8% for the year ended 31 December 2014, mainly due to lower gross profit margin of steel structure and prefabricated construction projects.

Capital structure, liquidity and financial resources

During the year ended 31 December 2014, the Group's net cash generated from operating activities was approximately RMB81.8 million (2013: RMB168.5 million) and the Group's cash and cash equivalents at the year end was approximately RMB625.6 million (2013: RMB785.5 million).

Total equity of the Group as at 31 December 2014 was approximately 1,282.5 million (31 December 2013: RMB1,061.6 million). As at 31 December 2014, the Company's issued share capital was HK$160.0 million (31 December 2013: HK$160.0 million) with 1,600 million (31 December 2013: 1,600 million) Shares in issue. The Group did not have any outstanding bank loan as at 31 December 2014 (31 December 2013: nil).

Significant investments held

During the year 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

On 12 December 2014, the Company announced that 江蘇賽特鋼結構有限公司 (Jiangsu Saite Steel Structure Co., Ltd.*) ("Saite Steel (Jiangsu)"), as purchaser, had entered into an agreement with the equity holders of 江蘇旗峰新型建材有限公司 (Jiangsu Qifeng New Building Materials Co., Ltd.*) ("Jiangsu Qifeng") regarding the acquisition ("Acquisition") of the entire equity interest in Jiangsu Qifeng for a consideration of RMB110 million, the land and factory premises of which have served as the Group's prefabricated construction workshop since the commencement of prefabricated construction business of the Group. Further, such factory premises are in close proximity to the Group's existing steel structure workshop. The Acquisition did not materially change the Group's production capacity as the factory premises have been utilised as its prefabricated construction workshop prior to the Acquisition and the Acquisition only changed the ownership status of the factory premises from leasehold to self-owned by the Group. After gaining the ownership of the factory premises, the Group enhanced the level of automation of fixed equipment therein in a bid to improve the overall operational efficiency. The transaction was subsequently completed in January 2015. Details of the Acquisition were set out in the Company's announcement dated 12 December 2014.

Charge on assets

As at 31 December 2014, the Group did not have any charge on assets.

Gearing ratio

Gearing ratio is calculated based on total debt (including payables incurred not in the ordinary course of business) at the year end divided by equity attributable to owners of the Company at the year end multiplied by 100%. As at 31 December 2014, the gearing ratio of the Group was approximately 0.24% (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 year 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 31 December 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 the Group aware of any pending or potential material legal proceeding involving the Group.

Event after the Reporting Period

Up to 31 December 2014, the Group has paid the consideration RMB110 million to the Vendors in relation to the Acquisition. The transaction was subsequently completed in January 2015. The major activity of Jiangsu Qifeng is holding property, plant and equipment. This acquisition is determined by the directors of the Company to be acquisition of assets rather than as business combination because the assets acquired and liabilities assumed did not constitute a business as defined under HKFRS 3 (revised) "Business Combination".

On 27 January 2015, the Group announced that it entered into a memorandum of understanding in relation to the proposed acquisition of 51% of equity interests in Jiangsu Chenli. Details relating to such memorandum of understanding were set out in the Company's announcement dated 27 January 2015. The proposed acquisition aims at expanding the Group's businesses in connection with environmental protection and broadening its income stream. Jiangsu Chenli is principally engaged in the design, manufacture and installation of energy-conserving and eco-friendly equipment, which mainly includes (i) equipment and/or processing lines for acid cleaning or colouration of stainless steel and other metals; (ii) equipment for electrolysis of manganese compounds; and (iii) equipment for processing waste gases and waste water. Besides, Jiangsu Chenli possesses a number of patents for its energy-conserving equipment.

With the PRC government's increasing awareness of the importance of energy saving and introduction of policies in support of green industries in the PRC, the Directors believe that the proposal is in line with the Group's business focus to explore opportunities in the field of eco-friendly construction solutions and the potential for development of businesses relating to steel structures, or prefabricated construction with a focus on environmental protection.

Use of net proceeds from the Global Offering

The Shares were listed on the Main Board of the Stock Exchange on 1 November 2013 with net proceeds received by the Company from its global offering ("Global Offering") launched in October 2013 amounting to approximately HK$369.0 million after deducting underwriting commissions and all related expenses.

As at 31 December 2014, the Group has utilised approximately HK$72 million (equivalent to approximately RMB56.6 million) for its steel structure business and approximately HK$185.9 million (equivalent to approximately RMB146.2 million) for its prefabricated construction business. As at 31 December 2014, the unutilised proceeds have been deposited into the interest-bearing bank account with a licensed commercial bank.

During the period under review, the Group acquired additional equipment to expand its designed production capacity for steel structures and prefabricated construction. For the year ended 31 December 2014, the Group has achieved the expected levels of annual production capacity for steel structures and prefabricated construction as disclosed in the section headed "Future plans and use of proceeds from the Global Offering" in the prospectus of the Company ("Prospectus") dated 22 October 2013 in relation to the Global Offering.

Further, as set out in the section headed "Future plans and use of proceeds from the Global Offering" in the Prospectus, approximately 11.2% of the net proceeds from the Global Offering are expected to be applied to the potential acquisition of steel structure construction business and related production facilities. In this regard, as at the date of this report, the Group had not identified any suitable steel structure construction business for acquisition and the Group intends to continue exploring suitable acquisition targets in the future.

The Directors consider that all the unutilised 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.

Employees

As at 31 December 2014, the Group had approximately 489 employees. The related staff cost (including remuneration of Directors in the form of salaries and other benefits) for the year ended 31 December 2014 was approximately RMB85.0 million (2013: RMB43.0 million).

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

The employees of the Company's subsidiaries established in the PRC are members of state-managed retirement benefits schemes operated by the PRC government. Such subsidiaries are required to contribute a specific percentage of the total monthly basic salaries to the retirement benefits schemes.

The Group also operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The Group contributes 5% of relevant payroll costs (capped at HK$1,500 per month with effect from 1 June 2014) of each individual employee to the scheme, which contribution is matched by employees.

During the year ended 31 December 2014, the Group had no forfeited contributions available to reduce its contributions to the retirement benefits schemes set out above.

FUTURE PROSPECTS AND STRATEGIES

As affected by relatively weak investment and sales in the property market, and a more cautious approach in related investment, it is expected that the growth of investment in fixed assets will continue to slow down in 2015. The determination of the PRC government, however, on the implementation of its policies to drive the growth of economy through substantial investment in infrastructure will continue to promote stable demand for steel structure and prefabricated construction services.

In 2015, the PRC government will make investment of trillions of Renminbi in such large-scale infrastructure projects as water conservancy construction, transportation networks, airports and ports. The new urbanisation development as proposed in the Third Plenary Session of the Eighteenth Central Committee will encourage a substantial number of construction and renovation projects for urban auxiliary facilities, and various types of residential housing will be constructed in order to achieve the target of urban settlement with a population of 100 million people in the coming five years.

The Ministry of Housing and Urban-Rural Development of the PRC (the "MHURD") announced that it would construct 7 million units of social security housing in 2015 and it was expected that 4.8 million units would be completed during this year. The Company's management expects that the Group's prefabricated construction business will directly benefit from such development plan of the MHURD.

The Group's steel structure business has been fully developed, possessing a good reputation and gaining high market recognition. The Group will, taking advantages of its existing edges, widen its revenue base through the increase of its production capacity and market share. This business will continue to generate stable and sufficient cash flow to the Group for its business expansion.

Prefabricated construction not only reduces the consumption of materials and energy during the production process and realises industrial production of construction components, but also shortens the construction lead time and reduces environmental pollution caused by on-site fabrication. Under the government's policy that focuses on the promotion of energy saving and environmental protection in the industry, this business will have promising growth prospects. As a first mover of prefabricated construction, the Group enjoys a competitive edge in terms of technology and abundant talents and experience gained from the government projects carried out over the years, which will facilitate the Group's consolidating its market position.

The Group acquired the entire equity interest in Jiangsu Qifeng which held the factory premises previously leased by its prefabricated construction business in December last year. The Acquisition enabled the Group to wholly own its production facilities and improve the degree of automation of the equipment, leading to an improvement of flexibility and efficiency in overall operation.

The Group is studying and planning to acquire enterprises with sound fundamentals located outside Jiangsu Province and transfer the Group's technology and talents to such enterprises in order to establish regional production bases for prefabricated components in other provinces for supporting the Group's regional expansion.

The Group entered into cooperation agreements with Beijing Urban Construction Group (北京城建集團) and Shanghai Urban Construction Group (上海城建集團) in the middle of last year. Both aforesaid large construction groups have participated in a number of large-scale infrastructure and landmark construction projects in various provinces and cities in the PRC and made relevant investment overseas. The Group's cooperation with them helps facilitate its market expansion.

The Group is planning to actively expand our prefabricated construction business and improve the revenue and profitability generated from this business segment, with a view to gradually increasing the revenue generated from this business in proportion to the Group's total revenue.

As environmental-related industries have huge potential for development in the PRC, the Group has entered into a memorandum of understanding in January this year in relation to the proposed acquisition of Jiangsu Chenli, an enterprise which manufactures eco-friendly related equipment. This signified a key move for the Group's expansion in environmental-related business.

In order to support the growth of prefabricated construction business and maintain the Group's competitive edges in technology in the relevant fields, the Group is teaming up with Southeast University and College of Design and Innovation of Tongji University (同濟設計學院) to establish a professional design and research institute to keep track with the most advanced technology.

With regard to market penetration, the Group has successfully gained a strong foothold in mid-western regions of the PRC with vigorous infrastructure development and extended its market presence into second and third tier cities in Northern China to capture the business opportunities arising from the government-driven Beijing-Tianjin-Hebei Integration.

The management of the Group will fully leverage its well-established leading position in the steel structure business, and first mover advantage as well as competitive edge in technology in the prefabricated construction, which meets the objectives of environmental protection in the PRC, to capture the business opportunities arising from the government's policies and industry development trends. All these are aimed to achieve growth in the Group's operational scale and efficiency.

Profile of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Jiang Jianqiang (蔣建強), aged 49, 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 40, 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 16 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 56, 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 44, 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 55, 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 44, 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 Grand Peace Group Holdings Limited (formerly known as 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 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)) from December 2011 to May 2014. He is currently the chief financial officer of S. Culture International Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 1255) on 11 July 2013.

Save as disclosed above, each of our Directors (i) did not hold other positions in our Company or other members of our Group as at the 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 34, 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 39, 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 41, 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 15 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 2014.

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.

The Group's turnover is mainly derived from business activities in the Mainland China. An analysis of the Group's income for the year is set out in note 8 to the consolidated financial statements.

Particulars of the Company's major subsidiaries as at 31 December 2014 are set out in note 36 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 49 of this report.

The state of the Group's and the Company's affairs at 31 December 2014 is set out in the consolidated statement of financial position and statement of financial position on pages 49 and 50 of this report.

The Board recommended the final dividend payment of RMB1.93 cents (equivalent to HK2.44 cents) per Share for the year ended 31 December 2014 (2013: RMB5.5 cents).

FIVE YEAR FINANCIAL SUMMARY

The result, assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, are summarised on page 96 of this report.

PROPERTY, PLANT AND EQUIPMENT

Details of properties of the Group as at 31 December 2014 are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital are set out in note 28 to the consolidated 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 the Listing Rules.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2014, 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 on page 52 of this report.

MAJOR CUSTOMERS AND SUPPLIERS

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

	Percentage of the total purchases/sales accounted for
Purchases	
— the largest supplier	35%
— five largest suppliers combined	89%
Sales	
— the largest customer	16%
— five largest customers combined	51%

None of the Directors, their close 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 close 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

Independent Non-executive Directors

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

DIRECTORS' PROFILES

Directors' profiles are set out on pages 22 to 25 of this report.

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 34 under the heading "Related Party Transactions" to the consolidated 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 2014, the interests or short positions of the Directors or 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 ("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 Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), are 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 a controlled corporation	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 57.65% by Champ Origin Limited ("Champ Origin"), 30.59% by Pure Grand Limited ("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.

Save as disclosed above, as at 31 December 2014, none of the Directors or 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 Part XV of the SFO or pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2014, so far as was known to the Directors of the Company, 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
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 a controlled corporation (Note 2 and 3)	1,020,000,000 Shares (L)	63.75
Wisdom Bright Ventures Limited	Person having a security interest in shares (Note 5)	1,020,000,000 Shares (L)	63.75
Tung Sun Tat Clement	Interest of a controlled corporation (Note 5)	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.

5. As at 31 December 2014, Mr. Tung Sun Tat Clement was deemed to be interested in the 1,020,000,000 Shares as he held the entire issued share capital of Wisdom Bright Ventures Limited, which was the chargee of the 1,020,000,000 Shares charged by Keen Luck.

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 2014, had interests or short positions in the shares and underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or substantial shareholders as recorded in the register required to be kept by the Company 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) of the Group or any entity (the "Invested Entity") in which any member of the Group holds any shareholding (including any executive director but excluding any non-executive director of the Group or any Invested Entity);

(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 date of this annual report. 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 close 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 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 close 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 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 2014, 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 close 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 34 to the consolidated 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 close 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 up by the remuneration committee (the "Remuneration Committee") of the Company on the basis of their merit, qualifications and competence.

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

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme is set out in note 29 to the consolidated financial statements.

EVENTS AFTER THE REPORTING PERIOD

Material events after the reporting period which would require disclosure to the consolidated financial statements is set out in note 37 to the consolidated 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 auditor financial reporting matters including the annual results for the year ended 31 December 2014.

AUDITOR

A resolution to re-appoint the retiring auditor, Deloitte Touche Tohmatsu, will be proposed at the forthcoming annual general meeting.

By order of the Board
China Saite Group Company Limited

Jiang Jianqiang
Chairman

Hong Kong, 14 March 2015

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 complied with all the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2014.

The Company will continue to enhance its corporate governance practices to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with the CG Code and align with the latest development.

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 year ended 31 December 2014. No incident of non-compliance of the Securities Dealing Code by the employees was noted by the Company.

BOARD OF DIRECTORS

The Board 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 22 to 26 of the annual report for the year ended 31 December 2014.

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 year ended 31 December 2014, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with 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 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 responsibilities as a 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.

During the year ended 31 December 2014, the Directors received training on the following areas 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
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, Remuneration Committee and 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 page 3 to 4.

Audit Committee

The Audit Committee comprises three independent non-executive Directors, namely Mr. Ma Chun Fung Horace (chairman), Mr. Xu Jiaming and Mr. Chen Tiegang. 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 auditor, 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 held two meetings to review interim and annual financial results and reports in respect of the year ended 31 December 2014 and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and re-appointment of external auditor, and arrangements for employees to raise concerns about possible improprieties.

During the year ended 31 December 2014, there was no disagreement between the Board and the Audit Committee regarding the external auditor and there was no issue of significant importance requiring disclosure in this annual report under the Listing Rules.

The Audit Committee also met the external auditor twice without the presence of the executive Directors.

Remuneration Committee

The Remuneration Committee comprises two independent non-executive Directors, namely Mr. Chen Tiegang (chairman) and Mr. Ma Chun Fung Horace, and one executive Director, namely Mr. Shao Xiaoqiang. 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 close associates will participate in deciding his/her own remuneration.

The Remuneration Committee met once to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration package of the executive Directors and senior management and other related matters.

Nomination Committee

The Nomination Committee comprises one executive Director, namely Mr. Jiang Jianqiang (chairman), and two independent non-executive Directors, namely Mr. Xu Jiaming and Mr. Chen Tiegang. 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 year ended 31 December 2014 to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, and to consider the qualifications of the retiring Directors standing for election at the Annual General Meeting. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

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

The attendance record of each director at the Board and Board Committee meetings and the general meeting of the Company held during the year ended 31 December 2014 is set out in the table below:

	Attendance/Number of Meetings				
Name of Director	**Board**	**Nomination Committee**	**Remuneration Committee**	**Audit Committee**	**Annual General Meeting**
Mr. Jiang Jianqiang	4/4+	1/1+	*1/1	*2/2	1/1+
Mr. Shao Xiaoqiang	4/4	*1/1	1/1	*2/2	1/1
Mr. Wu Yimin	4/4	*1/1	*1/1	*2/2	0/1
Mr. Xu Jiaming	4/4	1/1	*1/1	2/2	0/1
Mr. Chen Tiegang	4/4	1/1	1/1+	2/2	0/1
Mr. Ma Chun Fung Horace	4/4	*1/1	1/1	2/2+	1/1

\+ *Chairman*
* *by invitation*

Apart from regular Board meetings, the Chairman also held meetings with the independent non-executive Directors without the presence of executive Directors during the year.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2014.

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 auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 47 to 48.

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 2014 amounted to HK$1.98 million and HK$1.33 million 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 2014 is set out below:

Service Category	**Fees Paid/ Payable HK$(million)**
Audit Services	1.98
Non-audit Services	
— internal control review	0.48
— interim review	0.85
	3.31

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 2014.

In view of changes to certain laws and regulations in relation to the Group's business, two comprehensive training seminars were 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. One of such training sessions provided updates to the Relevant Personnel on the Provisional Regulations on Public Notice of Corporate Information (企業信息公示暫行條例), certain regulations relating to the construction industry in the PRC and certain foreign exchange regulations in the PRC. The other training session provided updates to the Relevant Personnel on the PRC Company Law, the PRC Employment Contract Law and the PRC Trademark Law. 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. At the annual general meeting, directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

During the year under review, the Company has not made any change to its articles of association. 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.

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 49 to 95, which comprise the consolidated statement of financial position as at 31 December 2014, 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 2014, 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
14 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTES	2014 RMB'000	2013 RMB'000
Revenue	7	**1,660,285**	1,427,185
Cost of sales		**(1,165,394)**	(946,025)
Gross profit		**494,891**	481,160
Other income	9	**8,306**	5,934
Selling and marketing expenses		**(3,979)**	(2,246)
Administrative expenses		**(40,582)**	(21,085)
Other expenses	10	**—**	(20,255)
Profit before tax		**458,636**	443,508
Income tax expense	13	**(148,938)**	(149,486)
Profit and total comprehensive income for the year attributable to owners of the Company	14	**309,698**	294,022
Earnings per share			
Basic (RMB cents)	16	**19.36**	23.21

Consolidated Statement of Financial Position

AT 31 DECEMBER 2014

	NOTES	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	17	59,951	64,769
Prepaid lease payments	18	14,032	14,371
Deposits	19	158,544	—
		232,527	79,140
Current assets			
Amounts due from customers for contract work	20	1,293	2,944
Trade receivables	21	795,701	397,673
Other receivables, deposits and prepayments	22	5,071	3,099
Prepaid lease payments	18	339	339
Bank balances and cash	23	625,646	785,545
		1,428,050	1,189,600
Current liabilities			
Amounts due to customers for contract work	20	5,670	6,660
Trade payables	24	178,189	78,907
Other payables and accruals	25	45,189	28,390
Amount due to a director	26	3,191	—
Tax liabilities		53,724	28,825
		285,963	142,782
Net current assets		1,142,087	1,046,818
Total assets less current liabilities		1,374,614	1,125,958
Non-current liability			
Deferred tax liability	27	92,116	64,408
		1,282,498	1,061,550

	NOTES	2014 RMB'000	2013 RMB'000
Capital and reserves			
Share capital	28	**126,653**	126,653
Reserves		**1,155,845**	934,897
Equity attributable to owners of the Company		**1,282,498**	1,061,550

The consolidated financial statements on pages 49 to 95 were approved and authorised for issue by the Board of Directors on 14 March 2015 and are signed on its behalf by:

Jiang Jianqiang
DIRECTOR

Shao Xiaoqiang
DIRECTOR

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 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	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 28(b))	94,910	(94,910)	—	—	—	—
Issue of shares pursuant to the global offering (note 28(c))	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**
Profit and total comprehensive income for the year	**—**	**—**	**—**	**—**	**309,698**	**309,698**
Transfer to statutory reserves	**—**	**—**	**—**	**35,183**	**(35,183)**	**—**
Final dividend paid for the year ended 31 December 2013	**—**	**(88,750)**	**—**	**—**	**—**	**(88,750)**
At 31 December 2014	**126,653**	**87,569**	**66,587**	**104,281**	**897,408**	**1,282,498**

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.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 RMB'000	2013 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**458,636**	443,508
Adjustments for:		
Interest income	**(3,266)**	(1,886)
Depreciation of property, plant and equipment	**3,003**	2,168
Loss on disposal/written off of property, plant and equipment	**—**	310
Operating cash flows before movements in working capital	**458,373**	444,100
Decrease in amounts due from customers for contract work	**4,637**	2,736
Increase in trade receivables	**(398,028)**	(168,548)
(Increase) decrease in other receivables, deposits and prepayments	**(1,972)**	955
Decrease in amounts due to customers for contract work	**(990)**	(1,520)
Increase in trade payables	**99,282**	40,227
Increase (decrease) in other payables and accruals	**16,799**	(42,637)
CASH GENERATED FROM OPERATIONS	**178,101**	275,313
PRC income tax paid	**(96,331)**	(106,830)
NET CASH FROM OPERATING ACTIVITIES	**81,770**	168,483
INVESTING ACTIVITIES		
Interest received	**3,266**	1,886
Purchase of property, plant and equipment	**(832)**	(4,204)
Deposits paid for acquisition of property, plant and equipment	**(48,544)**	—
Deposit paid for acquisition of subsidiary	**(110,000)**	—
NET CASH USED IN INVESTING ACTIVITIES	**(156,110)**	(2,318)

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 RMB'000	2013 RMB'000
FINANCING ACTIVITIES		
Dividend paid	(88,750)	—
Proceeds from issue of new shares	—	326,129
Expenses paid in connection with the issue of shares	—	(23,237)
Advance from a director	18,431	10,774
Repayment to a director	(15,240)	(23,332)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(85,559)	290,334
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(159,899)	456,499
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	785,545	329,046
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	625,646	785,545

Notes to the Consolidated Financial Statements

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 31 July 2012 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.

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 36.

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")

In the current year, the Group has applied, for the first time, the following new or revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

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 year has had no material effect on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

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

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

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKAS 1	Disclosure Initiative[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.
3 Effective for annual periods beginning on or after 1 January 2017.
4 Effective for annual periods beginning on or after 1 July 2014.
5 Effective for annual periods beginning on or after 1 January 2016.
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

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

HKFRS 15 Revenue from Contracts with Customers — continued

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Directors anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Except those mentioned above, the Directors anticipate that the application of other 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

Statement of compliance

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.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Basis of preparation

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business and net of discounts.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Revenue recognition — continued

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Property, plant and equipment — continued

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Leasing — continued

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Financial instruments — continued

Financial assets — continued

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Financial instruments — continued

Financial assets — continued

Impairment of financial assets — continued

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Financial instruments — continued

Financial liabilities and equity instruments — continued

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

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.

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 differences 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.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Taxation — continued

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax 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 Mandatory Provident Fund Scheme and 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY — CONTINUED

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Construction contracts

The Group recognises the amount of attributable profit or foreseeable losses from construction contracts based on the latest available budgets of those construction contracts with reference to the overall performance of each construction contract which requires management's best estimates and judgements. Construction revenue is estimated in accordance with the terms set out in the relevant contracts. Construction costs which mainly comprise installation costs and costs of materials are estimated by the management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the experience of the management. Because of the nature of the construction industry, the management regularly reviews the progress of the contracts and the estimated construction revenue and construction costs. Any change in the estimates of construction revenue or construction cost will affect the amount of foreseeable losses, or attributable profits recognised in the profit or loss prospectively in each reporting period using the percentage of completion method.

Estimated impairment of trade 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 2014, the carrying amount of trade receivables is RMB795,701,000 (2013: RMB397,673,000) as disclosed in note 21.

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 26, net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital, reserves and retained profits.

5. CAPITAL RISK MANAGEMENT — CONTINUED

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

	2014 **RMB'000**	2013 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**1,421,350**	1,183,220
Financial liabilities		
Amortised cost	**182,863**	78,947

(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:

	2014 **RMB'000**	2013 RMB'000
Bank balances	**1,199**	27,698
Amount due to a director	**(3,191)**	—
Other payables	**(1,443)**	—

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.

	2014 **RMB'000**	2013 RMB'000
Profit for the year	**172**	(1,385)

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.

	2014 **RMB'000**	2013 RMB'000
Increase in profit for the year	**1,173**	1,490

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.

Credit risk

As at 31 December 2014, 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.

6. FINANCIAL INSTRUMENTS — CONTINUED

(b) Financial risk management objectives and policies — continued

Credit risk — continued

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 2014 amounting to RMB463,208,000 (2013: RMB211,374,000) and accounted for 58% (2013: 53%) 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.

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.

6. FINANCIAL INSTRUMENTS — CONTINUED

(b) Financial risk management objectives and policies — continued

Liquidity risk — continued

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 2014							
Trade payables	—	165,440	7,206	4,996	547	178,189	178,189
Other payables	—	1,483	—	—	—	1,483	1,483
Amount due to a director	—	3,191	—	—	—	3,191	3,191
		170,114	7,206	4,996	547	182,863	182,863
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

(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 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 contract is as follows:

	2014 **RMB'000**	2013 RMB'000
Construction of		
— Steel structure projects	**963,247**	851,253
— Prefabricated construction projects	**697,038**	575,932
	1,660,285	1,427,185

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:

	2014 RMB'000	2013 RMB'000
Customer A[1]	259,004	155,029
Customer B[1]	166,374	*
Customer C[2]	174,628	*
Customer D[1]	*	336,991

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

	2014 RMB'000	2013 RMB'000
Interest income on bank deposits	3,266	1,886
Sales of scrapped materials	4,669	4,048
Others	371	—
	8,306	5,934

10. OTHER EXPENSES

The amount represented professional fees and other expenses related to the preparation for listing of the Shares. The transaction costs of an equity transaction had been accounted for as a deduction from equity to the extent they were directly attributable to the issuing of new shares. The remaining costs had been recognised as an expense when incurred.

11. 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 RMB'000	Salaries and other benefits RMB'000	Discretionary bonus RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2014:					
Executive directors:					
Mr. Jiang Jianqiang	—	430	3,000	12	3,442
Mr. Shao Xiaoqiang	—	370	2,000	12	2,382
Mr. Wu Yimin	—	370	1,000	9	1,379
Independent non-executive directors:					
Mr. Xu Jiaming	95	—	—	—	95
Mr. Chen Tiegang	95	—	—	—	95
Mr. Ma Chun Fung Horace	190	—	—	—	190
	380	1,170	6,000	33	7,583

	Fees RMB'000	Salaries and other benefits RMB'000	Discretionary bonus RMB'000	Retirement benefit scheme contributions RMB'000	Total 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

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.

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

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.

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2013: three) were directors of the Company, which include the Chief Executive, whose emoluments are included in the disclosures in note 11 above. The emoluments of the remaining two (2013: two) highest paid individuals were as follows:

	2014	2013
	RMB'000	RMB'000
Salaries and other benefits	**288**	720
Discretionary bonus	**1,800**	815
Retirement benefits scheme contributions	**20**	8
	2,108	1,543

The emoluments were within the following bands:

	Number of individuals	
	2014	2013
Below HK$1,000,000	**—**	1
HK$1,000,001 to HK$1,500,000	**2**	—
HK$1,500,001 to HK$2,000,000	**—**	1
	2	2

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.

13. INCOME TAX EXPENSE

	2014 RMB'000	2013 RMB'000
Current tax:		
PRC Enterprise Income Tax	117,277	118,001
PRC withholding tax	3,953	9,750
Deferred tax (note 27):		
Current year	27,708	21,735
	148,938	149,486

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:

	2014 RMB'000	2013 RMB'000
Profit before tax	458,636	443,508
Tax at the PRC Enterprise Income Tax rate of 25%	114,659	110,877
Tax effect of expenses not deductible for tax purpose	2,755	7,300
Deferred tax on undistributed earnings of a PRC subsidiary	31,661	31,485
Others	(137)	(176)
Income tax expense for the year	148,938	149,486

14. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

	2014 RMB'000	2013 RMB'000
Profit and total comprehensive income for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**1,558**	1,481
Depreciation of property, plant and equipment	**5,650**	5,203
Less: amounts capitalised in contract work in progress	**(2,647)**	(3,019)
Less: amounts capitalised in construction in progress	**—**	(16)
	3,003	2,168
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	**80,382**	39,069
Retirement benefits scheme contributions	**4,529**	3,702
	84,911	42,771
Less: amounts capitalised in contract work in progress	**(58,442)**	(34,928)
Less: amounts capitalised in construction in progress	**(4)**	(85)
	26,465	7,758
Operating lease rentals in respect of:		
Plant and machinery	**960**	960
Premises	**5,038**	4,022
	5,998	4,982
Less: amounts capitalised in contracts work in progress	**(4,560)**	(4,260)
	1,438	722
Research cost recognised as an expense	**600**	600
Loss on disposal of property, plant and equipment	**—**	310
Contract work in progress recognised as expense	**1,143,450**	923,963
Net exchange loss	**—**	2,383

15. DIVIDENDS

	2014 RMB'000	2013 RMB'000
Dividend recognised as distribution during the year:		
Final dividend paid in respect of the year ended 31 December 2013 of RMB5.5 cents (equivalent to HK7.1 cents) per share	88,750	—

A final dividend in respect of the year ended 31 December 2014 of RMB1.93 cents (equivalent to HK2.44 cents) per share has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

16. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year ended 31 December 2014 is based on the profit for the year attributable to owners of the Company of approximately RMB309,698,000 (2013: RMB294,022,000) and the weighted average number of ordinary shares in issue during the year ended 31 December 2014 of approximately 1,600,000,000 (2013: 1,266,849,000). No diluted earnings per share is presented for both years as there was no potential ordinary share outstanding.

17. 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 2013	—	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
Additions	226	—	490	—	116	—	832
Reclassification	(301)	301	—	—	—	—	—
At 31 December 2014	**—**	**65,620**	**18,796**	**5,345**	**1,327**	**322**	**91,410**
DEPRECIATION							
At 1 January 2013	—	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
Provided for the year	—	3,126	1,587	606	176	155	5,650
At 31 December 2014	**—**	**14,289**	**11,795**	**4,266**	**877**	**232**	**31,459**
CARRYING VALUES							
At 31 December 2014	**—**	**51,331**	**7,001**	**1,079**	**450**	**90**	**59,951**
At 31 December 2013	75	54,156	8,098	1,685	510	245	64,769

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.

18. PREPAID LEASE PAYMENTS

	2014 RMB'000	2013 RMB'000
The carrying value of land comprises:		
Leasehold land in the PRC under medium-term lease	14,371	14,710
Analysed for reporting purposes as:		
Non-current asset	14,032	14,371
Current asset	339	339
	14,371	14,710

19. DEPOSITS

	2014 RMB'000	2013 RMB'000
Deposit paid for acquisition of a subsidiary	110,000	—
Deposits paid for acquisition of property, plant and equipment	48,544	—
	158,544	—

On 12 December 2014, the Group entered into an agreement with the vendors pursuant to which the Group conditionally agreed to purchase and the vendors conditionally agreed to dispose of the entire equity interest in a limited company established in the PRC at a consideration of RMB110 million. The transaction was subsequently completed in January 2015.

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

	2014 RMB'000	2013 RMB'000
Contracts in progress at the end of the year:		
Contract costs incurred	**1,498,768**	1,051,531
Recognised profits less recognised losses	**719,354**	569,363
	2,218,122	1,620,894
Less: progress billings	**(2,222,499)**	(1,624,610)
	(4,377)	(3,716)
Analysed for reporting purposes as:		
Amounts due from contract customers	**1,293**	2,944
Amounts due to contract customers	**(5,670)**	(6,660)
	(4,377)	(3,716)

As at 31 December 2014, retention held by customers for contract work amounting to RMB236,675,000 (2013: RMB209,365,000) have been included in trade receivables under current assets. Advances received from customers for contract work not yet commenced at 31 December 2014 amounting to nil (2013: RMB4,530,000) have been included in other payables and accruals under current liabilities.

21. 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.

	2014 RMB'000	2013 RMB'000
0–30 days	209,678	72,979
31–90 days	289,694	107,559
91–180 days	59,654	7,770
	559,026	188,308
Retention receivables	236,675	209,365
	795,701	397,673
Retention receivables		
Due within 1 year	173,133	147,534
Due after 1 year	63,542	61,831
	236,675	209,365

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 RMB195,635,000 as at 31 December 2014 (2013: RMB24,834,000), which are past due as at the end of the year for which the Group has not provided for impairment loss.

21. TRADE RECEIVABLES — CONTINUED

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

	2014 RMB'000	2013 RMB'000
0–30 days	3,165	3,300
31–90 days	166,720	21,534
91–180 days	21,870	—
365 days above	3,880	—
	195,635	24,834

The Group has not provided allowance for doubtful debts for the trade receivables which are past due but not impaired because the Directors consider that those receivables are recoverable whereby the customers has made continuous repayments. The Group does not hold any collateral over these balances.

22. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2014 RMB'000	2013 RMB'000
Other receivables	3	2
Deposits paid	784	787
Prepayments	4,284	2,310
	5,071	3,099

23. BANK BALANCES

At 31 December 2014, bank balances carry interest at prevailing market rates ranged from 0.01% to 0.385% (2013: 0.01% to 0.35%) per annum.

24. 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:

	2014 RMB'000	2013 RMB'000
0–30 days	159,305	63,256
31–90 days	6,080	4,922
	165,385	68,178
Retention payables	12,804	10,729
	178,189	78,907
Retention payables		
Due within 1 year	12,257	9,397
Due after 1 year	547	1,332
	12,804	10,729

25. OTHER PAYABLES AND ACCRUALS

	2014 RMB'000	2013 RMB'000
Accrued wages and staff benefits	11,310	10,559
Other accrued expenses	3,906	2,342
Advance from customers for contract work	—	4,530
Other tax payables	28,490	10,919
Other payables	1,483	40
	45,189	28,390

26. AMOUNT DUE TO A DIRECTOR

The amount due to a director represents amount due to Mr. Jiang Jianqiang which is unsecured, interest-free and repayable on demand. The balance was subsequently settled in March 2015.

27. DEFERRED TAX LIABILITY

	Withholding tax on undistributed earnings RMB'000
At 1 January 2013	42,673
Release upon distribution of earnings	(9,750)
Charge for the year	31,485
At 31 December 2013	64,408
Release upon distribution of earnings	(3,953)
Charge for the year	31,661
At 31 December 2014	**92,116**

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 2014, deferred tax charge of RMB31,661,000 (2013: RMB31,485,000) on undistributed earnings has been recognised in the consolidated statement of profit or loss and other comprehensive income.

28. 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 1 January 2013		3,800,000	380	
Increase in authorised share capital	(a)	4,996,200,000	499,620	
At 31 December 2013 and 2014		**5,000,000,000**	**500,000**	
Issued:				
At 1 January 2013		1,000,000	100	80
Capitalisation issue of shares	(b)	1,199,000,000	119,900	94,910
Issue of shares pursuant to the global offering	(c)	400,000,000	40,000	31,663
At 31 December 2013 and 2014		**1,600,000,000**	**160,000**	**126,653**

The following changes in the share capital of the Company took place during the year ended 31 December 2013.

(a) 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.

(b) 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.

(c) 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.

29. 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.

30. MAJOR NON-CASH TRANSACTION

The Group's major non-cash transaction was disclosed in note 28 above.

31. 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 Group also operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustee. The Group contributes 5% of relevant payroll costs (capped at HK$1,500 per month with effect from 1 June 2014) of each individual employee to the scheme, which contribution is matched by employees.

The retirement benefit contributions of the Directors and staffs for the year end are stated in notes 11 and 14 respectively.

32. OPERATING LEASE COMMITMENTS

The Group as lessee

At 31 December 2014, 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:

	2014 **RMB'000**	2013 RMB'000
Plant and machinery		
Within one year	**—**	96
Premises		
Within one year	**726**	2,734
In the second to fifth year inclusive	**—**	917
	726	3,651

32. OPERATING LEASE COMMITMENTS — CONTINUED

The Group as lessee — continued

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

33. CAPITAL COMMITMENTS

	2014 **RMB'000**	2013 RMB'000
Capital expenditure authorised but not contracted for in respect of:		
— Acquisition or construction of factory premises and production facilities for expansion of production capacity	**11,110**	156,074
— Acquisition of steel structure construction business and related production facilities	**32,311**	32,311
Capital expenditure authorised but contracted for in respect of:		
— Acquisition or construction of factory premises and production facilities for expansion of production capacity	**17,730**	—

34. 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:

	2014 **RMB'000**	2013 RMB'000
Short-term benefits	**10,030**	2,149
Contributions to retirement benefits scheme	**67**	50
	10,097	2,199

35. FINANCIAL INFORMATION OF THE COMPANY

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

	2014 RMB'000	2013 RMB'000
Non-current asset		
Investments in subsidiaries	602,740	602,740
Current assets		
Prepayments	718	1,372
Amounts due from subsidiaries	64,841	123,676
Bank balances	—	26,813
	65,559	151,861
Current liabilities		
Other payables and accruals	4,444	1,531
Amount due to a director	3,013	—
	7,457	1,531
Net current assets	58,102	150,330
Total assets less current liabilities	660,842	753,070
Capital and reserves		
Share capital (see note 28)	126,653	126,653
Reserves	534,188	626,417
Total equity	660,841	753,070

35. 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 losses RMB'000	Total RMB'000
At 1 January 2013	80	—	464,556	—	464,636
Loss and total comprehensive expense for the year	—	—	—	(14,458)	(14,458)
Capitalisation issue of shares (note 28(b))	94,910	(94,910)	—	—	—
Issue of shares pursuant to the global offering (note 28(c))	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
Loss and total comprehensive expense for the year	—	—	—	(3,479)	(3,479)
Final dividend paid for the year ended 31 December 2013	—	(88,750)	—	—	(88,750)
At 31 December 2014	**126,653**	**87,569**	**464,556**	**(17,937)**	**660,841**

(c) Investments in subsidiaries

	2014 RMB'000	2013 RMB'000
Unlisted share, at cost, including deemed capital contribution in subsidiaries	**602,740**	602,740

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

35. FINANCIAL INFORMATION OF THE COMPANY — CONTINUED

(c) Investments in subsidiaries — continued

Particulars regarding the subsidiaries at 31 December 2014 and 2013 are set out in note 36.

(d) Amounts due from subsidiaries

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

The amounts due from subsidiaries at 31 December 2014 are repayable on demand. Except for the amount due from a subsidiary of RMB100,000,000 at 31 December 2013, which was repayable within one year, the remaining amounts due from subsidiaries at 31 December 2013 were repayable on demand.

36. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Place and date of incorporation/ establishment/ operation	Equity interest attributable to the Company		Issued and fully paid share capital/registered capital	Principal activity
		2014	2013		
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 RMB226,667,000 Paid-up capital RMB201,667,000 (2013: Registered capital RMB246,667,000 Paid-up capital RMB201,667,000)	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.

37. EVENTS AFTER THE END OF THE REPORTING PERIOD

(i) On 27 January 2015, the Group announced that it entered into a memorandum of understanding in relation to the proposed acquisition of 51% of equity interests in Jiangsu Chenli Eco-technology Company Limited (江蘇晨力環保科技有限公司) ("Jiangsu Chenli"). The proposed acquisition aims at expanding the Group's businesses in connection with environmental protection and broadening its income stream. Jiangsu Chenli is principally engaged in the design, manufacture and installation of energy-conserving and eco-friendly equipment, which mainly includes (i) equipment and/or processing lines for acid cleaning or colouration of stainless steel and other metals; (ii) equipment for electrolysis of manganese compounds; and (iii) equipment for processing waste gases and waste water. Besides, Jiangsu Chenli possesses a number of patents for its energy-conserving equipment. The Directors of the Company believe that the proposal is in line with the Group's business focus to explore development opportunities in the field of eco-friendly construction solutions and the potential for development of businesses relating to steel structures, or prefabricated construction with a focus on environmental protection.

(ii) On 12 December 2014, the Group entered into an agreement with the vendors pursuant to which the Group conditionally agreed to purchase and the vendors conditionally agreed to dispose of the entire equity interest in a limited company established in the PRC (the "Target Company") at a consideration of RMB110 million. Up to 31 December 2014, the Group has paid RMB110 million to the vendors. The transaction was subsequently completed in January 2015. The major activity of the Target Company is holding property, plant and equipment. This acquisition is determined by the directors of the Company to be acquisition of assets rather than as business combination because the assets acquired and liabilities assumed did not constitute a business as defined under HKFRS 3 (revised) "Business Combinations".

Five-Year Financial Summary

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years prepared on the basis set out in the note below is as follows:

Results

	Year Ended 31 December				
	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
Revenue	**1,660,285**	1,427,185	1,048,078	646,818	406,904
Cost of sales	**(1,165,394)**	(946,025)	(711,877)	(456,941)	(302,875)
Gross profit	**494,891**	481,160	336,201	189,877	104,029
Other income	**8,306**	5,934	7,993	4,044	3,788
Selling and distribution expense	**(3,979)**	(2,246)	(1,106)	(3,389)	(2,352)
Administrative expense	**(40,582)**	(21,085)	(15,271)	(11,205)	(8,826)
Other expense	**—**	(20,255)	(11,078)	—	—
Finance costs	**—**	—	(8,506)	(7,778)	(7,599)
Profit before tax	**458,636**	443,508	308,233	171,549	89,040
Income tax expense	**(148,938)**	(149,486)	(104,406)	(53,587)	(27,758)
Total comprehensive income for the year	**309,698**	294,022	203,827	117,962	61,282
Earnings per share					
Basic (RMB cents)	**19.36**	23.21	16.99	9.83	5.11

Assets and Liabilities

	Year Ended 31 December				
	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
Non-current assets	**232,527**	79,140	80,772	86,203	68,886
Current assets	**1,428,050**	1,189,600	564,978	477,637	292,096
Current liabilities	**285,963**	(142,782)	(138,441)	(350,390)	(207,837)
Non-current liabilities	**92,116**	(64,408)	(42,673)	(19,308)	(9,365)
Total Equity	**1,282,498**	1,061,550	464,636	194,142	143,780