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

2015
Interim Report

Contents

Corporate Information

DIRECTORS

Executive Directors

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

Independent non-executive Directors

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

COMPANY SECRETARY

Mr. Suen To Wai *CPA*

AUTHORISED REPRESENTATIVES

Mr. Jiang Jianqiang
Mr. Suen To Wai

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA ("PRC")

No. 2 Saite Road
Gaocheng Industrial Park
Yixing
Jiangsu Province
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 6105
61/F, The Center
99 Queen's Road Central
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS AS TO HONG KONG LAW

Chiu & Partners

PRINCIPAL BANKERS

China Construction Bank Corporation
(Yixing Gaocheng Branch)
Agricultural Bank of China Limited
(Yixing Chengzhong Branch)
Jiangsu Yixing Rural Commercial Bank Co., Ltd.
(Gaocheng Branch)
Bank of Shanghai Co., Ltd. (Wuxi Branch)

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Fl., Royal Bank House
24 Shedden Road, PO Box 1586
Grand Cayman KY1-1110
Cayman Islands

STOCK CODE

153

COMPANY WEBSITE

www.chinasaite.com.cn

Management Discussion and Analysis

BUSINESS REVIEW

During the first half of 2015, the gross domestic product in the PRC recorded a growth of 7.0% on a year on year basis ("YOY"), while the growth recorded for the corresponding period in 2014 was 7.4%. The investment of fixed assets (excluding agricultural households) recorded an increase of 12.5% YOY, while the increase recorded for the corresponding period in 2014 was 17.3%. The macro economy in the People's Republic of China (the "PRC") is experiencing a slowdown in growth, which will, to a certain extent, affect the demand on building materials and relevant services and as such, the areas for new construction in the PRC decreased by 15.8% YOY during the first half of this year. In response to the severe economic situation in the PRC, the management of the Group adjusted its strategies and the direction for development to cope with the situation.

With regard to our steel structure business, by focusing on export business, this line of business experienced a more favourable trend during the first half of the year. The two major overseas orders during the first half of the year were for export to Cambodia and Australia. With regard to our prefabricated construction business, we have deepened our cooperation with Shanghai Urban Construction (Group) Corp. 上海城建（集團）公司 ("Shanghai Urban Construction") to undertake social security housing projects.

As a result of the economic slowdown, the Group recorded decrease in gross profit and net profit for the six-month period ended 30 June 2015 as compared to those for the corresponding period of last year notwithstanding the increase in the Group's revenue. During the period under review, the Group recorded a revenue of approximately RMB742,737,000 (corresponding period of 2014: approximately RMB676,702,000). Gross profit amounted to approximately RMB206,010,000 (corresponding period of 2014: RMB210,883,000). The average gross profit margin was 27.7% (corresponding period of 2014: 31.2%). Profit attributable to the owners of the Company amounted to approximately RMB122,520,000 (corresponding period of 2014: approximately RMB136,264,000). Basic earnings per share amounted to approximately RMB7.31 cents (corresponding period of 2014: approximately RMB8.52 cents).

Steel Structure

During the first half of 2015, under the stimulation from a number of economic stabilizing measures implemented by the government, the YOY growth of investment in infrastructure (excluding power generation) was 19.1%. Demand for steel structure products remained stable. The Group further deepened its cooperation with large central enterprises and state-owned enterprises with focus on the Central and Western China where the development of infrastructures was relatively lagging behind. In the meantime, by capturing the opportunities brought from "One Belt and One Road", the Group put more efforts on expansion into overseas market to increase the turnover from overseas business so as to maintain a healthy and stable growth for steel structure business.

For the six-month period ended 30 June 2015, the revenue from the Group's steel structure business amounted to approximately RMB419,420,000, representing an increase of approximately 9.8% YOY. The gross profit margin was approximately 24.1%, representing a decrease of approximately 2.4 percentage points YOY. The completed steel structure parts were approximately 52,221 tons, representing an increase of approximately 43.73% YOY.

Hongxing Residential Garden
(紅星花園住宅)

During the first half of 2015, the type and number of steel structure projects completed by the Group are as follows:

Type of project	**Number of projects For the six-month period ended 30 June**	
	2015	2014
4S automobile dealership store	**—**	1
Bridges	**2**	3
Factories	**4**	4
Public structures	**4**	—
Export orders of steel structure	**1**	1
Total	**11**	9

Yixing Jiubei Garden
Phase I to III
(宜興氿北花園一至三期)

During the first half of 2015, the Group completed a total of 11 steel structure projects. With regard to overseas market, in particular those countries along "One Belt and One Road", as more business opportunities would be identified from those countries, the Group adjusted its strategy for development and put more resources to the export order business which had relatively higher gross profit margin.

As at 30 June 2015, the type and number of the Group's steel structure projects in progress are set out as follows:

Type of project	Number of projects For the six-month period ended 30 June	
	2015	2014
Bridges	**2**	1
Factories	**1**	2
Public structures	**4**	—
Export orders of steel structure	**2**	4
Total	**9**	7

The above-mentioned steel structure projects in progress are expected to be completed by the second half of 2015 or in 2016.

Prefabricated construction

During the period under review, the Group continued to further its cooperation with Shanghai Urban Construction, mainly focusing on the development of social security housings.

For the six-month period ended 30 June 2015, revenues from the Group's prefabricated construction amounted to approximately RMB323,317,000, representing an increase of approximately 9.7% YOY. The gross profit margin was approximately 32.40%, representing a decrease of approximately 4.7 percentage points YOY. The completed prefabricated construction projects were approximately 254,673 square meters, representing an increase of approximately 22.9% YOY.

For the six months ended 30 June 2015, the Group completed 2 residential projects and had 6 residential projects under construction, while for the corresponding period in 2014, the Group completed 4 projects and still had 4 housing projects under construction.

As part of the Group's business expansion plan in prefabricated construction, the Group acquired Jiangsu Qifeng New Building Materials Company Limited ("Jiangsu Qifeng") for a consideration of RMB110 million early this year. The principal asset of the company is a piece of land located in Yixing, Jiangsu with an area of approximately 53,000 square meters and certain plant, machinery and equipment. Since the Group commenced its prefabricated construction business, the factory premises have been utilized as its prefabricated construction workshop. Upon completion of the acquisition, the asset of Jiangsu Qifeng would be used as the Group's prefabricated construction workshop, which would enhance the level of automation of fixed equipment therein and improve the overall operational efficiency.

FINANCIAL REVIEW

Revenue

For the six-month period ended 30 June 2015, the Group's revenue amounted to approximately RMB742,737,000, representing an increase of approximately RMB66,035,000 or 9.8% as compared with that for the period ended 30 June 2014.

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

	Six months ended 30 June			
	2015		2014	
		Percentage		Percentage
	RMB'000	**(%)**	RMB'000	(%)
Construction of				
— Steel structure projects	**419,420**	**56.5%**	381,884	56.4
— Prefabricated construction projects	**323,317**	**43.5%**	294,818	43.6
Total	**742,737**	**100.0**	676,702	100.0

For the six months ended 30 June 2015, revenue from steel structure projects represented approximately 56.5% of the Group's total revenues, while revenue from prefabricated construction projects represented approximately 43.5% of the Group's total revenues. The revenue generated from these two principal businesses in proportion to the Group's total revenue were basically similar to those for the corresponding period of last year.

Revenue from steel structure projects increased approximately 9.8% from approximately RMB381,884,000 for the six-month period ended 30 June 2014 to approximately RMB419,420,000 for the six-month period ended 30 June 2015. Revenue from prefabricated construction projects increased approximately 9.7% from approximately RMB294,818,000 for the six-month period ended 30 June 2014 to approximately RMB323,317,000 for the six-month period ended 30 June 2015.

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 the six months ended 30 June 2015:

	Six months ended 30 June			
	2015		2014	
		GP margin		GP margin
	RMB'000	**(%)**	RMB'000	(%)
Construction of				
— Steel structure projects	**101,252**	**24.1**	101,482	26.6
— Prefabricated construction projects	**104,758**	**32.4**	109,401	37.1
Total	**206,010**	**27.7**	210,883	31.2

For the six months ended 30 June 2015, overall GP margin of the Group was 27.7%, representing a decrease of 3.5 percentage point as compared to approximately 31.2% for six months ended 30 June 2014.

GP margin for steel structure projects decreased approximately 2.5 percentage point from approximately 26.6% for the six months ended 30 June 2014 to 24.1% for the six months ended 30 June 2015. The decrease was mainly due to pressure from economic slowdown on the PRC's economic growth and corresponding adjustment on industry profits, which in turn resulted in the decrease of GP margin for the Group's steel structure business.

GP margin for prefabricated construction projects decreased approximately 4.7 percentage point from approximately 37.1% for the six months ended 30 June 2014 to 32.4% for the six months ended 30 June 2015. The decrease was mainly due to lower overall GP margin for this line of business as the supply of prefabricated components (without installation) to Shanghai Urban Construction was included in structure prefabricated construction projects.

Capital structure, liquidity and financial resources

For the six months ended 30 June 2015, the Group's net cash used in operating activities was approximately RMB15.3 million (for the six months ended 30 June 2014: net cash generated from operating activities RMB142.0 million) and the Group's cash and cash equivalents were approximately RMB947.0 million as at 30 June 2015 (as at 31 December 2014: RMB854.4 million).

As at 30 June 2015, the Group had current assets of approximately RMB1,873.4 million (31 December 2014: RMB1,428.1 million) and current liabilities of approximately RMB255.0 million (31 December 2014: RMB286.0 million). The current ratio (which is calculated on the basis of current assets over current liabilities) was 7.3 as at 30 June 2015.

Total equity of the Group as at 30 June 2015 was approximately RMB1,781.7 million (31 December 2014: RMB1,282.5 million). As at 30 June 2015, the Company's issued share capital was HK$203,800,000 (31 December 2014: HK$160,000,000) with 2,038,000,000 shares (31 December 2014: 1,600,000,000 shares) in issue.

On 5 June 2015 and 23 June 2015, the Company issued 100,000,000 new shares and 178,000,000 new shares, respectively, pursuant to the two share subscription agreements entered into between the Company and Native Land Investment Holdings Limited ("Native Land") and Beijing Urban Construction Road and Bridge Group Co., Ltd. 北京城建道橋建設集團有限公司 ("BJCJ"), respectively, on 21 May 2015 at a subscription price of HK$1.426 per share, the issue of which raised a total capital of HK$396,428,000. The subscribed shares represent approximately 13.64% in aggregate of the issued share capital as enlarged by the two subscriptions. The introduction of BJCJ, an influential state-owned enterprise, as the Company's shareholder is conducive in enhancing the overall image of the Group. With the back-up of large state-owned enterprises, the Group will be in a more favourable position to undertake more projects and create more profit.

Significant investments held

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

Material acquisitions and disposals of subsidiaries and associated companies

The Group announced on 27 January 2015 that it had entered into a memorandum of understanding with Jiangsu Chenli Eco-technology Company Limited (江蘇晨力環保科技有限公司) ("Jiangsu Chenli") in relation to the proposed acquisition of 51% equity interests in Jiangsu Chenli. Jiangsu Chenli is mainly 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 wastes gases and waste water. In addition, Jiangsu Chenli also possessed a number of patents for its energy-conserving equipment. The proposed acquisition aims at expanding the Group's businesses in connection with environmental protection and broadening its income stream. Currently, the proposed acquisition is under due diligence phase. It is expected that the acquisition will be completed in the second half of the year. Upon completion of the acquisition, the healthy and stable business of Jiangsu Chenli will make contribution to the profits of the Group.

The Group announced on 13 May 2015 that it had entered into a memorandum of understanding with BJCJ and Yixing Hongrui Materials Supply Company Limited 宜興市鴻瑞物資有限公司 ("Yixing Hongrui"), an entity established in Jiangsu, PRC, in relation to a proposed formation of a joint venture, namely, Beijing Urban Construction Saite Investment Company Limited (北京城建賽特投資有限公司) ("BUCS"). The Group, BJCJ and Yixing Hongrui each would hold 51%, 40% and 9% of equity interests in BUCS, and the formation of which was subsequently completed and it is expected that business operation by BUCS will commence in the second half of the year and make contribution to the Group.

Charge on assets

As at 30 June 2015, 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 30 June 2015, the gearing ratio of the Group was nil (31 December 2014: 0.24%).

Bank borrowings

The Group did not have outstanding bank borrowings as at 30 June 2015 (31 December 2014: nil).

Foreign exchange exposure

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

Contingent liabilities

江蘇賽特鋼結構有限公司 ("Jiangsu Saite"), a wholly owned subsidiary of the Company, acted as a financial guarantor to Yixing Hongrui for its purchase of goods from a supplier (the "Supplier") operated in Shanghai, PRC, of approximately RMB7,167,000 in aggregate. The balance was past due during the six months ended 30 June 2015 and was negotiated among the parties involved to extend the settlement to December 2015.

Yixing Hongrui was initially an independent third party and would become a non-controlling shareholder holding 9% equity interest of a newly established subsidiary of the Company, BUCS, in June 2015, the capital injection of which by Yixing Hongrui in BUCS, however, has not been completed as at the reporting date of current interim period.

The Directors of the Company consider that the possibility of an outflow of economic benefit of the above financial guarantee to be remote and hence disclose it as a contingent liability of the Group for the six months ended 30 June 2015.

Event after the reporting period

The Group announced on 3 July 2015 that it had entered into a strategic cooperation framework agreement ("Strategic Cooperation Agreement") with China Building-Material Industrial Corporation for Foreign Econo-Technical Cooperation (中國建材工業對外經濟技術合作公司) ("CBMC"), being part of the group of China National Materials Group Corporation ("Sinoma"). Under the Strategic Cooperation Agreement, the scope of cooperation includes, among others, domestic and international construction projects and investments projects.

In such connection, the parties are officially negotiating on certain construction projects in the People's Democratic Republic of Algeria, including a prefabricated construction project amounting to 32,000 sets of houses; and a steel structure project involving the construction of bridge, stadium, highway lighting systems and solar energy project, etc. CBMC will be responsible for establishing overseas market and providing project information, assist the Company in the process of overseas on-site inspection, tendering, negotiation and conclusion of contracts for projects at the respective locations, and assist the company in understanding the investment and regulatory environment of the countries where the relevant projects are located. The Company will be responsible for entering into and implementing business contract(s) with third parties regarding the projects.

The Strategic Cooperation Agreement represented the results from the Group's actively coping with the market environment and adjustment on its strategic development plan. It is a major milestone in the history of the Group. The Group will continue to expand into overseas markets and African region, where the Strategic Cooperation Agreement is related to, is currently under rapid development, which will attract substantial infrastructure investment, and will in turn bring notable opportunities to the Group's steel structure business and prefabricated construction business. Under "One Belt and One Road" policy, cooperation between PRC enterprises and enterprises from other emerging countries is increasing. With the back-up of large central enterprises, the Group will be able to further expand into overseas markets, increase its turnover and create more profits.

Employees

As at 30 June 2015, the Group had approximately 524 employees. The related staff cost (including remuneration of Directors in the form of salaries and other benefits) for the six months ended 30 June 2015 was approximately RMB42,314,000 (for six months ended 30 June 2014: RMB26,118,000).

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.

FUTURE PROSPECTS

Against the backdrop of slow global economic recovery, lingering impact from economic restructuring in the PRC, not-yet-finished transition from old economic driver to a new one, clearly fragmented industries, regions and segments, and still severe overcapacity in traditional industries, enterprises will experience slow profit growth and the macro economy still faces downward pressure.

While the growth of investment in fixed assets slowed down during the first half of 2015, investment in infrastructure became driving force of growth upon the stimulation of the government's economic stimulus measures, which brought robust demand on the Group's steel structures and prefabricated components.

Through thorough cooperation with state-owned enterprises as Beijing Urban Construction and Shanghai Urban Construction, the Group will gradually expand its business into other regions outside Jiangsu province and in particular those regions in Central and Western China where the construction of infrastructures is relatively lagging behind. The Group will continue to expand its sale network with prudence and caution.

The Group's development strategy targeting overseas markets is in line with the PRC's "One Belt and One Road" policy. With the gradual formation of the framework for "One Belt and One Road", the cooperation opportunities between the PRC and the countries along "One Belt and One Road" are increasing. In July 2015, the Group entered into the Strategic Cooperation Agreement with Sinoma to jointly develop construction projects and investment projects both in the PRC and overseas markets. For the second half of 2015, the Group is about to enter into contracts in relation to certain construction projects in the People's Democratic Republic of Algeria and the construction works will be commenced upon the conclusion of the contracts. Countries in Africa are undergoing rapid development, creating strong demand for infrastructure construction. This cooperation will facilitate the Group's long-term development in this market.

Upon completion of subscription of new shares, BJCJ became the second largest shareholder of the Group and the proceeds raised will be utilized for the Group's future development. Introduction of a new shareholder will not only be conducive to maintaining the Group's cash flow position for long-term development but also further strengthen its financial positions. Having a state-owned enterprise as a shareholder will substantial boost the development of the Group's business, including enhancing the Group's reliability and its say in the market, bringing more orders to the Group and realizing the growth of operational revenues.

As a key part of the Group's strategy to enter into environment-related business, the acquisition of Jiangsu Chenli by the Group is currently under due diligent phase. The acquisition is expected to be completed in the second half of the year. Upon completion of the acquisition, the Group will be benefited by the contribution from Jiangsu Chenli's stable and healthy eco-friendly business. The competitive edges brought from the environmental protection technology possessed by the Company will provide a solid foundation for the Group's long-term development in green industry.

Currently, the capacities of steel structure business and prefabricated construction business are sufficient to meet the increased market demand. In anticipation of rapid market development in Central and Western China and larger number of orders from overseas markets, the Group will consider to expand its capacity accordingly to meet such demand in the near future.

Amid the complicated economic situations in both domestic and overseas markets, the management of the Group will actively act in response to the markets and continue to improve its own operation and management efficiency to capture any opportunities arising from closer connection of domestic macro-economic situation and the international markets. The Group will take fully advantage of the solid foundations of its steel structure business and prefabricated construction business while enhancing cooperation with state-owned enterprises and central enterprises to enrich its business mix and broaden its income stream with a view to boosting the Group's business to a higher level and creating long-term values for the shareholders.

DIRECTORS' INTEREST IN SHARES

As at 30 June 2015, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register of the Company required to be kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were set out below:

Long and short positions in the Shares and underlying Shares

Name of Director	Nature of interest	Number of securities held (Note 1)	Approximate percentage of shareholding (%)
Mr. Jiang Jianqiang	Interest of controlled corporations (Note 2 and 3)	1,020,000,000 Shares (L)	50.05%

Notes:

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

2. These Shares were held by Keen Luck Group Limited ("Keen Luck"), which was owned as to approximately 57.65% by Champ Origin Limited ("Champ Origin"), approximately 30.59% by Pure Grand Limited ("Pure Grand") and approximately 11.76% by Ms. Feng Mei (an independent third party).

3. Champ Origin was owned as to 51% by Mr. Jiang Jianqiang and 49% by Mr. Jiang Yixuan.

Save as disclosed above, as at 30 June 2015, none of the Directors and chief executive of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), as recorded in the register of the Company required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2015, 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)	50.05
Beijing HuaChen Construction Development Limited	Beneficial owner (Note 6)	178,000,000 Shares (L)	8.73
Champ Origin	Interest of a controlled corporation (Note 2)	1,020,000,000 Shares (L)	50.05
Ms. Zhou Xiaoying	Interest of spouse (Note 4)	1,020,000,000 Shares (L)	50.05
Mr. Jiang Yixuan	Interest of controlled corporations (Note 2 and 3)	1,020,000,000 Shares (L)	50.05
Qilu Securities Company Limited	Person having a security interest in shares (Note 5)	1,020,000,000 Shares (L)	50.05
Shandong Iron & Steel Group Company Limited	Person having a security interest in shares (Note 5)	1,020,000,000 Shares (L)	50.05

Notes:

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

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

3. Champ Origin was owned as to 51% by Mr. Jiang Jianqiang and 49% by Mr. Jiang Yixuan.

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

5. According to the corporate substantial shareholder notices of Qilu Securities Company Limited ("Qilu Securities") and Shandong Iron & Steel Group Company Limited ("Shandong Steel") both dated 30 March 2015, both Qilu Securities and Shandong Steel were deemed to be interested in the 1,020,000,000 Shares, as Shandong Steel held the entire equity interest in Laiwu Steel Group Limited, which in turn held 45.71% equity interest in Qilu Securities. Qilu Securities held the entire issued share capital of Qilu International Holdings Limited, which in turn held the entire issued share capital of Qilu International Investment Limited, which was the chargee of the 1,020,000,000 Shares charged by Keen Luck.

6. According to the corporate substantial shareholder notice of Beijing HuaChen Construction Development Limited ("BJ HuaChen") dated 26 June 2015, BJ HuaChen was wholly owned by BJCJ.

Save as disclosed above, the Directors and the chief executive of the Company are not aware that there is any party who, as at 30 June 2015, had interests or short positions in the shares and underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme (the "Scheme") pursuant to a resolution passed by its then shareholders on 11 October 2013, for the primary purpose of providing incentives or rewards to eligible employees, non-executive directors of the Company and other selected participants. The adoption of the Scheme became unconditional upon the listing of the Company on 1 November 2013. On 30 March 2015, the Company issued 160,000,000 share options to its employees pursuant to the Scheme at an exercise price of HK$0.67 per share. There is no vesting period and the options may be exercised at any time from the date of grant of the share options to the secondary anniversary of the date of grant. The total number of 160,000,000 share options were subsequently exercised during the six-month period ended 30 June 2015 and the Company has no share options outstanding as at 30 June 2015.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company (the "Audit Committee") consists of three independent non-executive Directors, namely Mr. Xu Jiaming, Mr. Chen Tiegang and Mr. Ma Chun Fung Horace. Mr. Ma Chun Fung Horace is the Chairman of the Audit Committee. The primary duties of the Audit Committee are to review and supervise the financial reporting process and the internal control procedures of our Group. The accounting information given in the interim report has not been audited. The Audit Committee has reviewed the unaudited condensed consolidated financial statements for the six months ended 30 June 2015, including the accounting principles and practices adopted by the Group.

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

During the six months ended 30 June 2015, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions set out in the Corporate Governance Code as set out in the Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the six months ended 30 June 2015.

CHANGE IN DIRECTORS' BIOGRAPHICAL DETAILS

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

DIRECTORS' SECURITIES TRANSACTIONS

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

Specific enquiry has been made with all the Directors and the Directors have confirmed that they have complied with the Securities Dealing Code throughout the six months ended 30 June 2015. No incident of non-compliance of the Securities Dealing Code by the Directors was noted by the Company.

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

Hong Kong, 28 August 2015

Deloitte.
德勤

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Saite Group Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 21 to 38, which comprise the condensed consolidated statement of financial position as of 30 June 2015 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
28 August 2015

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE SIX MONTHS ENDED 30 JUNE 2015

		Six months ended 30 June	
		2015	2014
	NOTES	**RMB'000**	RMB'000
Revenue		**742,737**	676,702
Cost of sales		**(536,727)**	(465,819)
Gross profit		**206,010**	210,883
Other income		**2,621**	5,684
Selling and marketing expenses		**(8,517)**	(1,260)
Administrative expenses		**(29,007)**	(10,789)
Profit before tax		**171,107**	204,518
Income tax expense	4	**(48,587)**	(68,254)
Profit and total comprehensive income for the period attributable to owners of the Company	5	**122,520**	136,264
Earnings per share	7		
Basic (RMB cents)		**7.31**	8.52
Diluted (RMB cents)		**7.30**	N/A

Condensed Consolidated Statement of Financial Position

AT 30 JUNE 2015

	NOTES	As at 30 June 2015 RMB'000	As at 31 December 2014 RMB'000
Non-current assets			
Property, plant and equipment	8	175,912	59,951
Prepaid lease payments		39,568	14,032
Deposits	9	39,900	158,544
		255,380	232,527
Current assets			
Amounts due from customers for contract work	10	3,965	1,293
Trade receivables	11	899,529	795,701
Other receivables, deposits and prepayments		21,968	5,071
Prepaid lease payments		906	339
Bank balances and cash		947,014	625,646
		1,873,382	1,428,050
Current liabilities			
Amounts due to customers for contract work	10	2,871	5,670
Trade payables	12	168,648	178,189
Other payables and accruals		32,285	45,189
Amount due to a director	13	—	3,191
Provision	14	5,029	—
Tax liabilities		46,152	53,724
		254,985	285,963
Net current assets		1,618,397	1,142,087
Total assets less current liabilities		1,873,777	1,374,614
Non-current liability			
Deferred tax liability		92,116	92,116
		1,781,661	1,282,498
Capital and reserves			
Share capital	15	161,268	126,653
Reserves		1,620,393	1,155,845
Equity attributable to owners of the Company		1,781,661	1,282,498

Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000 (Note a)	Statutory reserves RMB'000 (Note b)	Share option reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2014	126,653	176,319	66,587	69,098	—	622,893	1,061,550
Profit and total comprehensive income for the period	—	—	—	—	—	136,264	136,264
Final dividend paid for the year ended 31 December 2014	—	(88,750)	—	—	—	—	(88,750)
At 30 June 2014	126,653	87,569	66,587	69,098	—	759,157	1,109,064
At 1 January 2015	**126,653**	**87,569**	**66,587**	**104,282**	**—**	**897,407**	**1,282,498**
Profit and total comprehensive income for the period	**—**	**—**	**—**	**—**	**—**	**122,520**	**122,520**
Final dividend paid for the year ended 31 December 2014	**—**	**(33,939)**	**—**	**—**	**—**	**—**	**(33,939)**
Recognition of equity-settled share-based payment (Note 17)	**—**	**—**	**—**	**—**	**12,565**	**—**	**12,565**
Exercise of share options	**12,645**	**84,640**	**—**	**—**	**(12,565)**	**—**	**84,720**
Issue new shares (Note 15)	**21,970**	**291,327**	**—**	**—**	**—**	**—**	**313,297**
At 30 June 2015	**161,268**	**429,597**	**66,587**	**104,282**	**—**	**1,019,927**	**1,781,661**

Notes:

(a) Capital reserve represents

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

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

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

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

Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	NOTE	Six months ended 30 June 2015 RMB'000	2014 RMB'000
Net cash (used in) from operating activities		**(15,255)**	141,955
Net cash (used in) from investing activities			
Interest received		**1,505**	1,569
Purchase of property, plant and equipment		**(26,776)**	(1,120)
Acquisition of a subsidiary	18	**1,007**	—
		(24,264)	449
Net cash from (used in) financing activities			
Dividend paid		**(33,939)**	(88,750)
Advance from a director		**—**	15,240
Repayment to a director		**(3,191)**	—
Proceeds from issue of upon exercise of share option		**84,720**	—
Proceeds from issue of new shares		**313,297**	—
		360,887	(73,510)
Net increase in cash and cash equivalents		**321,368**	68,894
Cash and cash equivalents at beginning of the period		**625,646**	785,545
Cash and cash equivalents at end of the period, represented by bank balances and cash		**947,014**	854,439

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

Share based payment arrangements

Share based payment transactions of the Company

Equity settled share based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity settled share based transactions are set out in note 17.

The fair value determined at the grant date of the equity settled share based payment is expensed on a straight line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expected immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

2. PRINCIPAL ACCOUNTING POLICIES — CONTINUED

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle

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

3. SEGMENT INFORMATION

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

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

Amounts of segment assets and liabilities of the Group have not been reviewed by the CODM.

3. SEGMENT INFORMATION — CONTINUED

Entity-wide information

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

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Construction of		
— Steel structure projects	**419,420**	381,884
— Prefabricated construction projects	**323,317**	294,818
	742,737	676,702

Geographical information

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

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	**48,587**	52,673
Deferred tax:		
Current period	**—**	15,581
	48,587	68,254

Provision for the PRC EIT 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 EIT (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the Company's PRC subsidiaries is 25%.

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

5. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Profit and total comprehensive income for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**6,054**	2,727
Less: amounts capitalised in contract work in progress	**(4,241)**	(1,324)
	1,813	1,403
Amortisation of prepaid lease payments	**434**	169
Less: amounts capitalised in contract work in progress	**(169)**	(169)
	265	—
Staff salaries (including directors' emoluments)	**27,346**	24,180
Retirement benefit scheme contribution	**2,403**	1,938
Equity-settled share-based payment	**12,565**	—
Total staff costs	**42,314**	26,118
Less: amounts capitalised in contract work in progress	**(22,443)**	(21,667)
Less: amounts capitalised in construction in progress	**—**	(5)
	19,871	4,446
Operating lease rentals in respect of:		
Plant and machinery	**—**	480
Premises	**1,645**	2,505
	1,645	2,985
Less: amounts capitalised in contract work in progress	**(864)**	(2,280)
	781	705
Written off of property, plant and equipment	**—**	950
Contract work in progress recognised as expense	**535,839**	456,394
Net exchange gain	**(1,117)**	(86)
Interest income on bank deposits	**(1,505)**	(1,569)

6. DIVIDENDS

During the current interim period, a final dividend of RMB1.93 cents (equivalent to HK2.44 cents) per share in respect of the year ended 31 December 2014 (six months ended 30 June 2014: RMB5.5 cents per share in respect of the year ended 31 December 2013) was declared and paid to the owners of the Company.

	2015 **RMB'000**	2014 RMB'000
Dividend recognised as distribution during the period	**33,939**	88,750

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: nil).

7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2015 **RMB'000**	2014 RMB'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share		
Profit for the period attributable to owners of Company	**122,520**	136,264
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earning per share	**1,677,039**	1,600,000
Effect of dilutive potential ordinary shares: share options	**1,648**	—
Weighted average number of ordinary shares for the purpose of diluted earning per share	**1,678,687**	1,600,000

No diluted earnings per share was noted for prior period as there was no potential ordinary share outstanding.

FOR THE SIX MONTHS ENDED 30 JUNE 2015

8. MOVEMENTS PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group acquired property, plant and equipment of RMB122,015,000 (six month ended 30 June 2014: RMB66,000). Included in the addition to property, plant and equipment above, RMB86,595,000 was arised from the acquisition of Jiangsu Qifeng as set out in note 18.

The Group did not write off any property, plant and equipment (six months ended 30 June 2014: RMB950,000).

9. DEPOSITS

The deposits comprise:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Deposits paid for acquisition of property, plant and equipment	**39,900**	48,544
Deposits paid for acquisition of subsidiary, Jiangsu Qifeng	**—**	110,000
	39,900	158,544

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

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Contracts in progress at the end of the period:		
Contract costs incurred	**994,532**	1,498,768
Recognised profits less recognised losses	**421,491**	719,354
	1,416,023	2,218,122
Less: progress billings	**(1,414,929)**	(2,222,499)
	1,094	(4,377)
Analysed for reporting purposes as:		
Amounts due from contract customers	**3,965**	1,293
Amounts due to contract customers	**(2,871)**	(5,670)
	(1,094)	(4,377)

As at 30 June 2015, retention held by customers for contract work amounting to RMB284,193,000 (31 December 2014: RMB236,675,000) have been included in trade receivables under current assets.

There was no advances received from customers for contract work not yet commenced at 30 June 2015 and 31 December 2014.

11. TRADE RECEIVABLES

The trade receivables arising from construction contracts are billed and receivable in accordance with terms of the relevant agreements. Payments are typically made based on either the milestone events stipulated in the construction contracts or the actual progress of the work performed. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the date of progress billing at the end of the period.

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
0–30 days	203,714	209,678
31–90 days	191,917	289,694
91–180 days	208,225	59,654
181 days–1 year	11,480	—
	615,336	559,026
Retention receivables	284,193	236,675
	899,529	795,701
Retention receivables		
Due within 1 year	236,894	173,133
Due after 1 year	47,299	63,542
	284,193	236,675

12. TRADE PAYABLES

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

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
0–30 days	**149,298**	159,305
31–90 days	**5,153**	6,080
	154,451	165,385
Retention payables	**14,197**	12,804
	168,648	178,189
Retention payables		
Due within 1 year	**13,874**	12,257
Due after 1 year	**323**	547
	14,197	12,804

13. AMOUNT DUE TO A DIRECTOR

The amount due to a director is unsecured, interest-free and repayable on demand. The balance as at 31 December 2014 was fully settled during the interim period ended 30 June 2015.

14. PROVISION

Jiangsu Saite, Mr. Jiang Jianqiang, a director of the Company, and two other individuals, namely, 梅正芳 and 梅秀芳, provided jointly and severally financial guarantees to a micro credit entity in Jiangsu, the PRC, for loans approximately RMB5,000,000 in aggregate to two individuals, namely, 梅秀芳 and 田麗 (spouse of 梅正芳) and an entity established in the PRC, namely, 江蘇百納環境工程有限公司 ("江蘇百納"), in which 梅正芳 has beneficial interest (the "Financial Guarantee"). 梅正芳, 梅秀芳, 田麗 and 江蘇百納 are independent third parties. The loans were past due and no settlement was made as at 30 June 2015. The borrowers and guarantors were then sued collectively by the lender for the default of payment and requested to settle the outstanding balance with interest.

14. PROVISION — CONTINUED

Based on the best estimation of the Directors, the Company is probable to be required to settle the outstanding loan balance and the related interest, amounting to RMB5,029,000 in aggregate, under the Financial Guarantee and as such the amount is recognised as a provision included in administrative expenses of the condensed consolidated statement of profit and loss and other comprehensive income during the current interim period.

15. SHARE CAPITAL

	Number of shares at HK$0.10 per share	Amount
		HK$'000
Authorised:		
At 1 January 2015 and 30 June 2015	5,000,000,000	500,000
Issued:		
At 1 January 2015	1,600,000,000	160,000
Exercise of share options	160,000,000	16,000
New shares issue	278,000,000	27,800
At 30 June 2015	2,038,000,000	203,801

Shown in the condensed consolidated statement of financial position:

	RMB'000
At 1 January 2015	126,653
At 30 June 2015	161,268

On 5 June 2015 and 23 June 2015, the Company issued 100,000,000 and 178,000,000 new shares pursuant to the two share subscription agreements entered into separately between the Company and Native Land and BJCJ on 21 May 2015 at a subscription price of HK$1.426 per share, the issue of which raised a total capital of HK$396,428,000. These new shares rank pari passu in all respects with the existing shares.

15. SHARE CAPITAL — CONTINUED

By entering into the subscription agreements, the Group could raise capital for expanding the operation of its coming steel structure and prefabricated construction projects and strengthen financial position of the Group.

16. CONTINGENT LIABILITY

Jiangsu Saite acted as a financial guarantor to Yixing Hongrui for its purchase of goods from a Supplier operated in Shanghai, PRC of approximately RMB7,167,000 in aggregate. The balance was past due as at 30 June 2015 and it was then agreed among the parties involved to defer the settlement to 31 December 2015.

Yixing Hongrui initially was an independent third party and would become a non-controlling shareholder holding 9% of equity interests in a newly established subsidiary of the Company, BUCS, in June 2015, the capital injection of which by Yixing Hongrui in BUCS, however, has not been completed as at 30 June 2015.

The Directors of the Company consider that the possibility of an outflow of resources embodying economic benefits of the above financial guarantee to be remote and hence disclose it as a contingent liability of the Group during the current interim period.

17. SHARE-BASED PAYMENTS

The Company 's share option scheme (the "Scheme") was adopted pursuant to a resolution passed by the then shareholders of the Company on 11 October 2013 for the primary purpose of providing incentives to directors and eligible employees.

The table below discloses movement of the Company 's share options held by the Company 's employees:

	Number of share options '000
Outstanding as at 1 January 2015	—
Granted during the period	160,000
Exercised during the period	(160,000)
Outstanding as at 30 June 2015	—

There was no cancellation or lapse of options during the current interim period.

The closing price of the Company 's shares immediately before 30 March 2015, the date of grant, was HK$0.66.

17. SHARE-BASED PAYMENTS — CONTINUED

The weighted average closing price of the Company 's shares before the dates on which the options were exercised was HK$0.82.

In the current interim period, share options were granted on 30 March 2015. The fair value of the options determined at the date of grant using the Binomial Tree model was RMB12,565,000 and is recognised as staff cost.

The following assumptions were used to calculate the fair value of share options:

	30 March 2015
Grant date share price	HK$0.66
Exercise price	HK$0.67
Expected life	1 year
Expected volatility	43.46%
Dividend yield	3.70%
Risk-free interest rate	0.43%

The Binomial Tree model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the director's best estimate.

No consideration is payable on the grant date of the option. There is no vesting period. Options may be exercised at any time from the date of grant of the share option to the second anniversary of the date of grant.

18. ACQUISITION OF A SUBSIDIARY

Acquisitions of assets and liabilities through acquisition of a subsidiary

In January 2015, the Group acquired the entire equity interest of Jiangsu Qifeng at a cash consideration of RMB110,000,000. The principle activity of Jiangsu Qifeng is holding a piece of land with certain property, plant and equipment. This acquisition is determined by the directors of the Company to be acquisition of assets and liabilities through acquisition of subsidiary 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".

18. ACQUISITION OF A SUBSIDIARY — CONTINUED

Acquisitions of assets and liabilities through acquisition of a subsidiary — continued

Details of the net assets acquired in respect of the above transaction are summarised below:

	RMB'000
Net assets acquired	
Property, plant and equipment	86,595
Prepaid lease payments	26,537
Trade receivables	884
Other receivables, deposits and prepayments	398
Bank balances and cash	1,007
Trade payables	(4,772)
Other payables and accruals	(649)
	110,000
Total consideration satisfied by:	
Bank balances	110,000
Net cash outflow arising on acquisitions	
Cash consideration paid during the prior year included in deposits	110,000
Bank balances and cash acquired	(1,007)
	108,993
Net cash inflow arising on acquisition of Jiangsu Qifeng during this period	1,007

19. CAPITAL COMMITMENTS

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Capital expenditure authorised but not contracted for in respect of:		
— Acquisition of steel structure construction business and related production facilities	**32,311**	32,311
— Acquisition or construction of factory premises and production facilities for expansion of production capacity	**—**	11,710
Capital expenditure authorised and contracted for in respect of:		
— Acquisition of production facilities for the expansion of production capacity	**2,100**	17,730

20. RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in the condensed consolidated financial statements, the Group had the following significant transactions with related parties during the period:

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

(b) Compensation of key management personal.

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

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Short-term benefits	**3,419**	1,079
Contributions to retirement benefits scheme	**49**	32
	3,468	1,111