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

ANNUAL REPORT

2015

Contents

Corporate Profile

China Saite Group Company Limited ("China Saite" or the "Company", together with its subsidiaries the "Group") is an integrated steel structure and prefabricated construction solution service provider headquartered in Yixing, Jiangsu Province, the People's Republic of China (the "PRC"). It has an operation history of over 17 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. Xu Fanghua

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 PRC

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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

Chairman's Statement

With the great effort on increasing our market share in the PRC, our Group maintained a double-digit increase in our total revenue of 10.5% from RMB1,660.3 million to RMB1,834.7 million.

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China Saite, I am pleased to present the annual results of the Group for the year ended 31 December 2015.

Despite the fact that the market experienced the slowest growth of the PRC's economy in the past 25 years, the Group has recorded a steady growth in both of the steel structure business and prefabricated construction business in 2015. Reviewing our operating results in 2015, regarding the increasing needs of domestic infrastructures development, we captured the opportunities and expanded our business successfully to other locations in the PRC including Shanghai, Henan, Jilin, Hunan and Fujian to diversify our customer base as well as strengthen our brand name in the steel structure industry. Such timely adjustments in our business strategy lead to our remarkable results in the year of 2015.

With the great effort on increasing our market share in the PRC, our Group maintained a double-digit increase in our total revenue of 10.5% from RMB1,660.3 million to RMB1,834.7 million.

We have built a mutually beneficial trust business relationship with 上海城建（集團）公司 (Shanghai Urban Construction (Group) Corp.*) ("Shanghai Urban Construction"), being a large state-owned enterprise, on civil construction projects, including the construction of social security housing, municipal facilities, transportation, and civic engineering. Meanwhile, the Group continues the progress of formation of alliance with 北京城建（集團）公司 (Beijing Urban Construction (Group) Corp.*) and other suitable state-owned enterprises to achieve a rapid development and increase the Group's profit margin. In 2016, the Group will continue to adopt a proactive yet prudent strategy to enhance the Group's core competence and competitiveness.

Our Group also committed to the expansion plan in our prefabricated construction segment in 2015. As part of our expansion strategy, we acquired 江蘇旗峰新型建材有限公司 (Jiangsu Qifeng New Building Materials Company Limited*) ("Jiangsu Qifeng") in January 2015. The principal asset of Jiangsu Qifeng is a piece of land located in Yixing, Jiangsu with an area of approximately 53,000 square meters and certain plant, machinery and equipment. Upon completion of the acquisition, the asset of Jiangsu Qifeng were used as the Group's prefabricated construction workshop, which enhanced the level of automation of fixed equipment therein and improved the overall operational efficiency.

In June 2015, our Group injected RMB153 million and has become one of the co-founder of 江蘇華晨賽特投資發展有限公司 (Jiangsu HuaChen Saite Investment Development Company Limited*) ("Jiangsu HuaChen Saite"), which is engaged in both steel structure construction and prefabricated construction projects, so as to continue our Group's operation expansion and to increase the market penetration in both of the business segments.

Apart from the expansion of our existing business segments, in order to cope with the PRC government's policies related to eco-friendly and energy conservation industries, we had announced our capital injection regarding the proposed acquisition of 51% equity interest in 江蘇晨力環保科技有限公司 (Jiangsu Chenli Eco-technology Company Limited*) ("Jiangsu Chenli"). 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.

Regarding the Thirteenth Five-Year Plan ("TFYP") recently approved by the PRC government, the focus of the national development strategy includes the speed up of international cooperation on Eurasia infrastructure construction. The set-up of Asian Infrastructure Investment Bank ("AIIB"), which aims to support the building of infrastructure in the Asia-Pacific region, as well as the One Belt One Road ("OBOR") development framework in the PRC, which focuses on connectivity and cooperation among countries primarily in Eurasia, are perfect embodiments of the national strategy and the outbound business development trend. We are striving to take the opportunities to expand our steel structure business to areas outside Jiangsu Province, and rush out of Asia.

Another focus point in the TFYP is to promote the construction of affordable housing projects. Regarding our prefabricated construction business, the promotion of the affordable housing policy brings great business opportunities to the Group. The Group will continue to expand and strengthen our business relationship with state-owned construction enterprises to increase our market share in this segment.

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 2016 expected to be a year full of opportunities and challenges, the Group is dedicated to creating greater value for its shareholders.

Jiang Jianqiang
Chairman

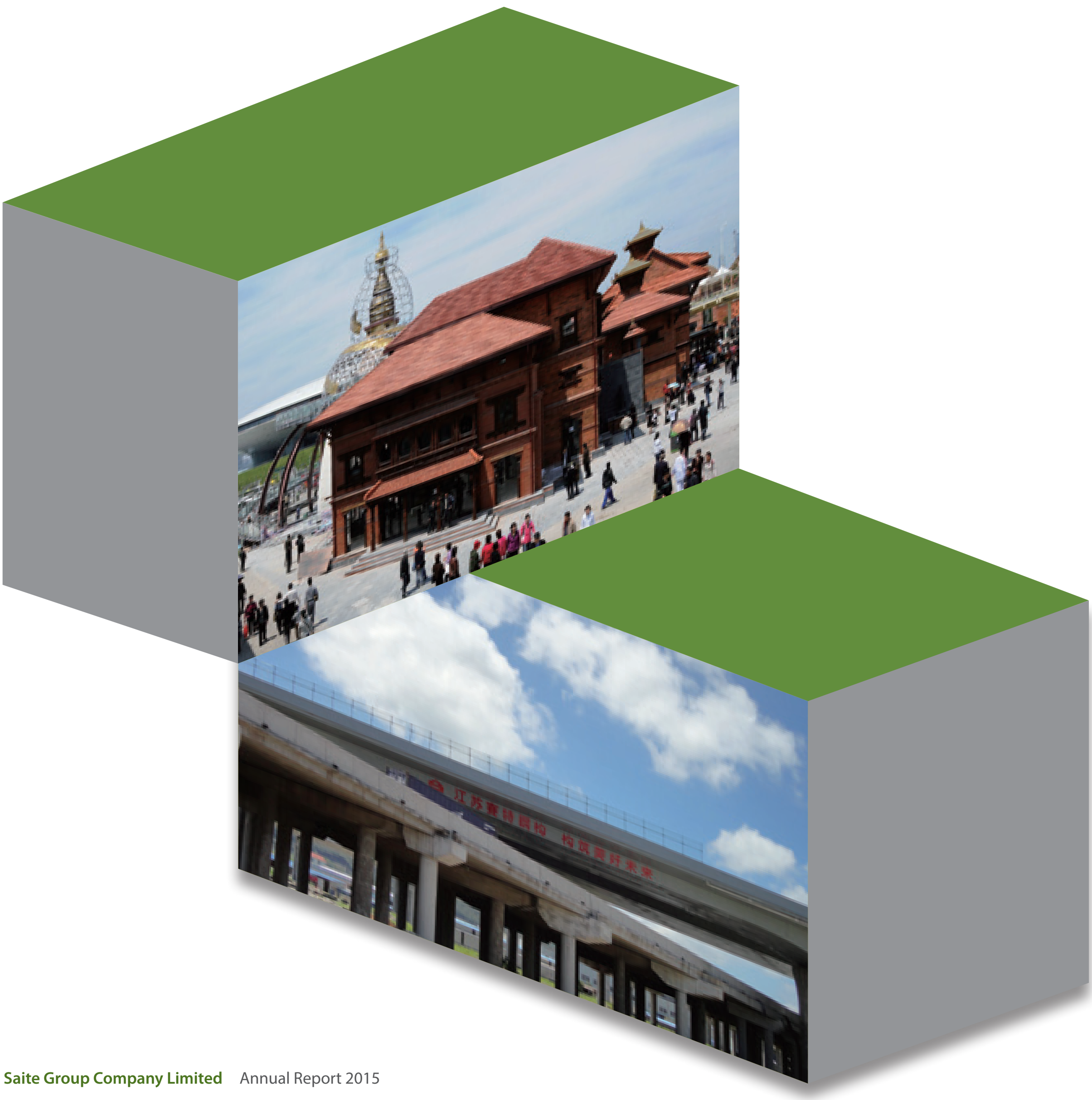
Hong Kong, 31 March 2016

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 2015, the total investment of fixed assets (excluding agricultural households) in the PRC amounted to approximately RMB55,159.0 billion, representing an increase of approximately 9.9% as compared with that of previous year, the lowest growth rate since 2001. The Gross Domestic Product (the "GDP") growth rate during the year under review reached approximately 6.9% on a year on year basis, which was the slowest pace in the past 25 years. The overall macro-economic environment has affected the demand for construction materials and related services to a certain extent. The management of the Group would adjust the business strategies to cope with the challenges that the Group is facing under any circumstances.

With regard to its steel structure business, although the market experienced the slowest growth of the PRC's economy in 25 years resulted from rising labour costs and inflated material costs, by expanding the steel structure business to other regions outside Jiangsu Province and benefited by the government's development strategy and framework on domestic infrastructures in 2015, the Group maintained a steady growth of its financial results in the year under review. In addition, the Group continues to expand its business to other regions in the PRC including Shanghai, Henan, Jilin, Hunan and Fujian to diversify its customer base.

With regard to its prefabricated construction business, during the year under review, the Group acquired Jiangsu Qifeng to make a strategic expansion of the Group's prefabricated construction segment. The Group also deepened its cooperation with Shanghai Urban Construction to undertake social security housing projects. Same as steel structure business, the Group also stepped forward to other provinces in the PRC to capture the business opportunities.

The Group's revenue for the year ended 31 December 2015 amounted to approximately RMB1,834.7 million (2014: RMB1,660.3 million). Gross profit for the year under review amounted to approximately RMB512.8 million (2014: RMB494.9 million) and average gross profit margin was approximately 28.0% (2014: 29.8%). Profit attributable to owners of the Company amounted to approximately RMB325.9 million (2014: RMB309.7 million). Basic and diluted earnings per share for the year under review were approximately RMB17.53 cents (2014: RMB19.36 cents) and RMB17.51 cents (2014: N/A) respectively.

The Board recommended the final dividend payment of RMB1.60 cents (equivalent to HK1.91 cents) per Share (2014: RMB1.93 cents (equivalent to HK2.44 cents)) for the year ended 31 December 2015 to the shareholders registered in the shareholder register of the Company at the end of business on Tuesday, 31 May 2016.

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 2014 issued by Jiangsu Provincial Department of Construction, the Group ranked among the top ten steel structure construction service providers in Jiangsu Province.

For the year ended 31 December 2015, the revenue of the Group from steel structure business amounted to approximately RMB1,071.6 million, representing an increase of approximately 11.3% as compared with that of previous year. During the year under review, gross profit margin for steel structure business decreased by 2.0 percentage points to 24.1% due to the inflation of production costs. The completed steel structure parts for the year under review amounted to approximately 149,678 tons, representing an increase of approximately 44.2% from approximately 103,796 tons in 2014.

During the year, our Group explores new business opportunities in Jilin, Hunan and Fujian for its steel structure business.

In 2015, the Group completed 23 steel structure projects, details of which are set out as follows:

Type of project	Number of projects completed Year ended 31 December	
	2015	2014
Public structure	**9**	1
Export orders of steel structure	**3**	7
Bridges	**5**	4
Factories	**6**	8
Total	**23**	20

During the year under review, our operating results in the PRC regions outside Jiangsu Province is outstanding. The number of steel structure projects completed in other regions in the PRC during the year under review amounted to 14, representing an increase of 9 projects on a year on year basis, and the revenue generated from this type of project increased by approximately 2.7 times from approximately RMB109.2 million to approximately RMB406.4 million. The revenue growth of this business sufficiently outweighted the decrease in revenues from other business. In terms of types of project, the number of completed projects under the public structure segment and bridge segment increased by 8 projects and 1 project respectively when compared to 2014, i.e. 9 projects and 5 projects. The revenue generated from each respective segment increased by approximately 19.9 times and 3.9 times respectively on a year on year basis from approximately RMB14.4 million to approximately RMB300.9 million and approximately RMB46.7 million to approximately RMB230.6 million. These increases offset the decrease in revenue generated from export orders of steel structure, in which the number of completed projects decreased by 57.1% to 3 projects, and the corresponding revenue decreased by approximately 63.0% from approximately RMB336.1 million to approximately RMB124.2 million. This result reflected the management's strategy which is expanding its business over the PRC.

As at 31 December 2015, the steel structure projects in progress are set out as follows:

Type of project	Number of projects in progress Year ended 31 December	
	2015	2014
Public structure	**3**	3
Bridges	**—**	2
Factories	**5**	3
Total	**8**	8

The above-mentioned steel structure projects in progress are expected to be completed in 2016.

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 large contracts in relation to the government's social security housing projects in 2014 and 2015. For the year ended 31 December 2015, the Group completed 773,057 square metres ("sq.m.") of prefabricated construction material, up from 540,267 sq.m. in 2014. The revenue from prefabricated construction amounted to approximately RMB763.0 million in 2015, representing an increase of approximately 9.5% over the previous year.

During the year under review, the Group continued to provide prefabricated construction services to and signed new contracts with a total contract value amounting to RMB155.2 million with Shanghai Urban Construction. 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 the prefabricated construction 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 gradually expanded the development of this business during the year under review. During the year under review, this business segment contributed approximately RMB763.0 million of the Group's total revenue for the year under review, as compared with approximately RMB697.0 million in the previous year. The revenue generated in this segment accounted for approximately 41.6% of the Group's total revenue, which is comparable to approximately 42.0% recorded in last 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%.

As part of the Group's business expansion plan in prefabricated construction, the Group acquired Jiangsu Qifeng at 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 sq.m. and certain plant, machinery and equipment. Since the Group commenced its prefabricated construction business, the factory premises expected to be utilised as its prefabricated construction workshop. Upon completion of the acquisition, the assets of Jiangsu Qifeng were used as the Group's prefabricated construction workshop, which enhanced the level of automation of fixed equipment therein and improved the overall operational efficiency. Upon the above expansion, the Group's prefabricated construction business progressed smoothly during the year under review and the management believed that the continuous development can facilitate its business growth and market penetration in the PRC.

In 2015, the Group engaged in 12 prefabricated construction projects, of which all projects were residential projects with a booked revenue of approximately RMB763.0 million.

Contract amounts of steel structure projects and prefabricated construction projects of the Group in 2015 in comparison with those in the previous year

	Year ended 31 December						Changes in the total amount for this reporting period as compared with the previous year (%)
	2015			2014			
	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	
Opening value of backlog at the beginning of the year	**102,201**	**294,447**	**396,648**	200,827	213,338	414,165	–4.2
Value of new contracts	**1,091,510**	**638,391**	**1,729,901**	864,621	778,147	1,642,768	5.3
Revenue recognised	**1,071,625**	**763,039**	**1,834,664**	963,247	697,038	1,660,285	10.5
Closing value of backlog	**122,086**	**169,799**	**291,885**	102,201	294,447	396,648	–26.4

The total amount of new contracts entered into by the Group was approximately RMB1,729.9 million in 2015. The average contract amount of projects with signed contracts decreased to approximately RMB57.7 million in 2015 from approximately RMB58.7 million in 2014.

The amount of new contracts increased by approximately 5.3% from approximately RMB1,642.8 million in 2014 to approximately RMB1,729.9 million with the number of new contracts increased to 30 (2014: 28). The closing value of backlog in 2015 decreased to approximately RMB291.9 million as compared with the closing value in 2014. Together with the new contract value of approximately RMB1,729.9 million in 2015, the Group was able to recognise revenue of approximately RMB1,834.7 million which was about approximately 10.5% 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 2015, the Group's revenue was approximately RMB1,834.7 million, representing an increase of approximately RMB174.4 million or 10.5% as compared with that for the year ended 31 December 2014.

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			
	2015		2014	
	RMB'000	**Percentage (%)**	RMB'000	Percentage (%)
Construction of				
— Steel structure projects	**1,071,625**	**58.4**	963,247	58.0
— Prefabricated construction projects	**763,039**	**41.6**	697,038	42.0
Total	**1,834,664**	**100.0**	1,660,285	100.0

The revenue attributable to steel structure projects increased by approximately 11.3% from approximately RMB963.2 million for the year ended 31 December 2014 to approximately RMB1,071.6 million for the year ended 31 December 2015. The increase was mainly arising from the increasing number of projects entered into during the year under review, including several large-scale public structure construction projects. In 2015, public structure construction projects generated a total revenue of RMB487.5 million, representing an increase of approximately 1.3 times with reference to the results in 2014.

In addition, the Group established its presence in other provinces in the PRC outside Jiangsu Province, such as Shanghai, Guizhou, Yunnan, Anhui, Zhejiang, Jilin, Hunan and Fujian. The steel structure businesses outside Jiangsu Province accounted for approximately 28.3% of the Group's revenue in 2015, which showed an increase of 6.9 percentage point when compared to the previous year.

The revenue attributable to prefabricated construction projects increased by approximately 9.5% from approximately RMB697.0 million for the year ended 31 December 2014 to approximately RMB763.0 million for the year ended 31 December 2015. The increase was primarily attributable to the three large-scale projects related to construction of social security housings in Shanghai and another project named Tang Qian Ren Jia Phase II project in Jiangsu. Although the number of prefabricated construction projects engaged by the Group maintained in 12 in 2015, the average revenue generated from each prefabricated construction project engaged in the year of review increased by approximately 9.5% from approximately RMB58.1 million to approximately RMB63.6 million.

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 2015:

	For the year ended 31 December			
	2015		2014	
	RMB'000	**GP margin %**	RMB'000	GP margin%
Construction of				
— Steel structure projects	**258,470**	**24.1**	251,430	26.1
— Prefabricated construction projects	**254,367**	**33.3**	243,461	34.9
Total	**512,837**	**28.0**	494,891	29.8

The gross profit attributable to steel structure projects amounted to approximately RMB258.5 million for the year ended 31 December 2015, similar to that of approximately RMB251.4 million for the year ended 31 December 2014. The GP margin of steel structure projects decreased from approximately 26.1% for the year ended 31 December 2014 to approximately 24.1% for the year ended 31 December 2015. The decrease was mainly due to the increase in the production costs of steel structure when compared with 2014.

The revenue attributable to prefabricated construction projects increased by approximately 9.5% from approximately RMB697.0 million for the year ended 31 December 2014 to approximately RMB763.0 million for the year ended 31 December 2015. The gross profit increased by approximately 4.5% from approximately RMB243.5 million for the year ended 31 December 2014 to approximately RMB254.4 million for the year under review. Despite the growth on the gross profit, the GP margin attributable to prefabricated construction projects decreased from approximately 34.9% for the year ended 31 December 2014 to approximately 33.3% for the year ended 31 December 2015. The decrease is due to the fact that the Group had launched a more competitive pricing strategy to increase the market penetration of prefabricated construction business as well as strengthen the relationship with strategic customers.

The Group's overall GP margin decreased from approximately 29.8% for the year ended 31 December 2014 to approximately 28.0% for the year ended 31 December 2015, mainly due to lower GP margin of steel structure and prefabricated construction projects.

Selling and marketing expenses and administrative expenses

During the year ended 31 December 2015, the total selling, marketing and administrative expenses was approximately RMB69.5 million (2014: RMB44.6 million). The increase of approximately RMB24.9 million mainly resulted from the increase of approximately RMB12.6 million regarding to the share option expenses, approximately RMB12.2 million derived from provisions of on financial guarantee contracts and approximately RMB4.6 million professional fee in relation to the acquisition of equity interests during the year and other miscellaneous expenses, net the effect of reduction in bonus of approximately RMB4.5 million distributed to the Directors and key management personnel.

Capital structure, liquidity and financial resources

During the year ended 31 December 2015, the Group's net cash generated from operating activities was approximately RMB15.2 million (2014: RMB81.8 million) and the Group's cash and cash equivalents at the year end was approximately RMB881.4 million (2014: RMB625.6 million).

As at 31 December 2015, the Group had current assets of approximately RMB1,928.5 million (31 December 2014: RMB1,428.1 million) and current liabilities of approximately RMB247.1 million (31 December 2014: RMB286.0 million). The current ratio (which is calculated on the basis of current assets over current liabilities) was 7.8 as at 31 December 2015.

Total equity of the Group as at 31 December 2015 was approximately RMB1,985.0 million (31 December 2014: RMB1,282.5 million). As at 31 December 2015, the Company's issued share capital was HK$203.8 million (31 December 2014: HK$160.0 million) with 2,038 million (31 December 2014: 1,600 million) Shares in issue.

On 5 June 2015 and 23 June 2015, the Company issued 100 million new shares and 178 million new shares respectively pursuant to the two share subscription agreements entered into between the Company and Native Land Investment Holdings Limited and 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$396.4 million. 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.

The net proceeds from the above-mentioned share subscription amounting to approximately HK$396.4 million are intended to be utilised towards: (i) funding its capital injection in Jiangsu HuaChen Saite amounting to RMB153 million; (ii) funding any new acquisitions or business ventures when opportunities arise; and/or (iii) as general working capital of the Group.

On 29 September 2015 and 16 October 2015, the Company entered into loan agreements amounting to HK$50,000,000 and HK$40,000,000, which are carrying interest rates of 8% per annum, with two independent third parties. The borrowings of the Group are repayable on 29 September 2016 and 16 October 2016, respectively.

Significant investments held

During the year under review, except for investments in subsidiaries and investment in a joint venture as disclosed in section "Material acquisitions and disposals of subsidiaries and associated companies" below, 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 ("Saite Steel (Jiangsu)"), as purchaser, had entered into an agreement with the equity holders of 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 completed in January 2015. Details of the Acquisition were set out in the Company's announcement dated 12 December 2014.

The Group announced on 13 May 2015 that it had entered into a memorandum of understanding with BJCJ and 宜興市鴻瑞物資有限公司 ("Yixing Hongrui"), an entity established in Jiangsu, the PRC, in relation to a proposed formation of a joint venture, Jiangsu HuaChen Saite, a PRC-incorporated company and engaged in construction of steel structure and prefabricated construction projects. Jiangsu HuaChen Saite is subsequently formed in June 2015. The total capital injection in the joint venture made by the Group is RMB153,000,000. The Group, BJCJ and Yixing Hongrui each held 51%, 40% and 9% of equity interests in Jiangsu HuaChen Saite. Jiangsu HuaChen Saite was acquired so as to continue the expansion of the Group's operation. It is expected that business operation by Jiangsu HuaChen Saite will commence in 2016 and make contribution to the Group.

On 15 December 2015, Saite Steel (Jiangsu), Mr. Xu Fanghua, an executive Director of the Company, and Ms. Lu Weijuan, an independent third party, entered into a capital injection agreement, pursuant to which Saite Steel (Jiangsu), as investor, agreed to inject an aggregate sum of RMB226 million into Jiangsu Chenli ("Capital Injection"). Currently, the Capital Injection is under due diligence phase. It is expected that the Capital Injection will be completed in the first half of 2016. Details of the Capital Injection are set out in the Company's announcements dated 15 December 2015, 25 January 2016, 17 February 2016, 24 February 2016, 17 March 2016 and 31 March 2016.

Charge on assets

As at 31 December 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 31 December 2015, the gearing ratio of the Group was approximately 3.8% (31 December 2014: 0.24%).

Foreign exchange exposure

The Group's businesses are principally operated in the PRC 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.

Event after the Reporting Period

This is no major event after the reporting period.

Use of net proceeds from the Global Offering

The Shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 1 November 2013 with net proceeds received by the Company from its global offering ("Global Offering") launched in October 2013 amounting to approximately HK$369.0 million (equivalent to approximately RMB288.5 million) after deducting underwriting commissions and all related expenses.

As at 31 December 2015, the Group has utilised approximately RMB12.0 million (2014: RMB56.6 million) for its steel structure business and approximately RMB12.4 million (2014: RMB146.2 million) for its prefabricated construction business. As at 31 December 2015, the unutilised proceeds have been deposited into the interest-bearing bank account with a licensed commercial bank.

As set out 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, 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 made a capital injection of RMB153 million in Jiangsu HuaChen Saite for its continuous expansion of steel structure construction business.

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 2015, the Group had approximately 538 (2014: 489) employees. The related staff cost (including remuneration of Directors in the form of salaries and other benefits) for the year ended 31 December 2015 was approximately RMB79.8 million (2014: RMB85.0 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, share options, 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 2015, the Group had no forfeited contributions available to reduce its contributions to the retirement benefits schemes set out above.

FUTURE PROSPECTS AND STRATEGIES

2015 was a year full of challenges, with the growth of GDP and investment in fixed assets slowed down and downward pressure in the macro economy.

In 2016, through thorough cooperation with state-owned enterprises as 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's development strategy, which is to target overseas markets, is in line with the PRC's OBOR policy. With the gradual formation of the framework for OBOR, the cooperation opportunities between the PRC and the countries along OBOR are increasing. In 2016, the Group will explore to construction projects in countries in Africa, which are undergoing rapid development, creating strong demand for infrastructure construction. This cooperation will facilitate the Group's long-term development in this market.

In the Government Work Report issued in 2016, Premier Li Keqiang mentioned that the government determined to promote new urbanisation, which includes green construction, sustainable prefabricated steel buildings and high construction quality and engineering standards. As one of the industry pioneer, the Group will continue to strengthen the four core values of artisan spirit, product varieties, product quality and brand building in order to lead an improvement of its operation.

To develop the Group's competitiveness on steel industry, not only investing in energy-conserving and eco-friendly equipment manufacturers, the Group will investigate the integration of the Group's existing steel structure business and the potential environmental protection business to reach a leading position in the green building industry. 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.

Upon completion of subscription of new shares, BJCJ became the second largest shareholder of the Group and the proceeds raised will be utilised 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.

Continuous business opportunities with large-scaled state-owned enterprises effectively helps the Group to uphold its product quality and build its brand. Another point mentioned by Premier Li Keqiang in the Government Work Report was that the government tends to eliminate hidden barriers to encourage private enterprises to enlarge its capital investment in public utility construction business and involve in national development projects. In the coming years, the PRC government will make investment of trillions of Renminbi in large-scale infrastructure projects as water conservancy construction, transportation networks, airports, ports, a substantial number of construction and renovation projects for urban auxiliary facilities and various types of residential housing construction projects. By demonstrating our high level of work performance and product quality in these state-owned enterprises lead projects, the Group can maintain its market expansion and strong market position.

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 full 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.

Profile of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Jiang Jianqiang (蔣建強), aged 50, 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 17 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, Saite Steel (Jiangsu), and Jiangsu Qifeng, each being a wholly-owned subsidiary of the Company and Jiangsu HuaChen Saite, being a joint venture invested by the Group. He also served as a representative in the 12th Communist Party Congress of Yixing, the PRC and 16th People's Congress of Yixing, the PRC.

Mr. Shao Xiaoqiang (邵小強), aged 41, 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 and Jiangsu HuaChen Saite.

Mr. Xu Fanghua (徐芳華), aged 51, joined the Company as an executive Director on 15 December 2015. He has over 10 years of experience in the eco-friendly construction industry. Mr. Xu graduated from 南京理工大學 (Nanjing University of Science and Technology) in environmental engineering in July 2003. He was appointed as the chairman of the board of directors and general manager of 江蘇晨力實業有限公司 (Jiangsu Chenli Company Limited*) in February 1991. Jiangsu Chenli Company Limited was deregistered in January 2013. Mr. Xu then founded Jiangsu Chenli in October 2012 and has been appointed as the chairman of the board of directors as well as the general manager of Jiangsu Chenli since October 2012.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Xu Jiaming (徐家明), aged 45, 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 56, 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 45, was appointed as our independent non-executive Director on 11 October 2013. He is currently the chairman of the Audit Committee and a member of the Remuneration Committee. 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.

Mr. Ma is currently the chief financial officer of S. Culture International Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange. He is also an independent non-executive director of Ming Fai International Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange. Mr. Ma was an executive director of Grand Peace Group Holdings Limited (formerly known as FAVA International Holdings Limited) and an independent non-executive director of China Tianrui Group Cement Company Limited, Universe International Holdings Limited and Dejin Resources Group Company Limited, respectively, the shares of which are listed on the Stock Exchange.

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. Shan Jinwen (單錦文), aged 40, 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).

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.

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 2015.

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 PRC. 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 2015 are set out in note 40 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 51 of this report.

The state of the Group's and the Company's affairs at 31 December 2015 is set out in the consolidated statement of financial position on pages 52 and 53 of this report.

The Board recommended the final dividend payment of RMB1.60 cents (equivalent to HK1.91 cents) per Share for the year ended 31 December 2015 (2014: RMB1.93 cents (equivalent to HK2.44 cents)).

BUSINESS REVIEW

A review of the business of the Group for the year and a discussion on the Group's future business development and the principal risks and uncertainties facing the Group as required by Schedule 5 of the Hong Kong Companies Ordinance are provided in the Management Discussion and Analysis on pages 8 to 21 of this annual report. No important event affecting the Group has occurred since the end of the financial year under review.

The Group is committed to supporting the environmental sustainability. Being an integrated steel structure and prefabricated construction solution service provider in the PRC, the Group is subject to various environmental laws and regulations set by the PRC national, provincial and municipal governments. These include regulations on air and noise pollution and discharge of waste and water into the environment.

The Group has complied with the relevant laws and regulations that have significant impact on the operations of the Group.

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 108 of this report.

PROPERTY, PLANT AND EQUIPMENT

Details of properties of the Group as at 31 December 2015 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 32 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme as disclosed below and note 33 to the consolidated financial statements, no equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

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 of the Company's securities as required under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2015, 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 54 of this report. Details of distributable reserves of the Company are set out in note 39 to the consolidated financial statements.

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	19.6%
— five largest suppliers combined	56.9%
Sales	
— the largest customer	11.7%
— five largest customers combined	42.7%

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 (resigned on 15 December 2015)
Mr. Xu Fanghua (appointed on 15 December 2015)

Independent Non-executive Directors

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

In accordance with Article 105(A) of the Articles of Association, Mr. Xu Jiaming and Mr. Chen Tiegang shall retire at the Annual General Meeting. In addition, Mr. Xu Fanghua who has been appointed by the Board on 15 December 2015 shall hold office until the Annual General Meeting pursuant to Article 109 of the Company's Articles of Association. All of the above retiring Directors, being eligible, will offer themselves for re-election at the Annual General Meeting.

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. As at the date of this report, the Company is of the view that all independent non-executive Directors are independent.

DIRECTORS' PROFILES

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

Certain changes in Directors' information are set out below pursuant to Rule 13.51B(1) of the Listing Rules:

Name of Director	
Jiang Jianqiang	Mr. Jiang was appointed as a director of Jiangsu Qifeng, a wholly owned subsidiary of the Company, and Jiangsu HuaChen Saite, being a joint venture invested by the Company, with effect from 13 January 2015 and 17 June 2015 respectively.
Shao Xiaoqiang	Mr. Shao was appointed as a director of Jiangsu HuaChen Saite with effect from 17 June 2015.

Save as the information disclosed above and in published announcements, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

Our Company has entered into service contract with Mr. Jiang Jianqiang and Mr. Shao Xiaoqiang with effect from 1 November 2013 and with Mr. Xu Fanghua with effect from 15 December 2015 pursuant to which each of them agreed to act as an executive Director for an initial term of three years. 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 years 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 TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Apart from the particulars disclosed in note 38 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' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2015, 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 (the "SFO")), as recorded in the register of the Company required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed 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 (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 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 2015, 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 the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2015, so far as was known to the Directors, the following persons, other than the Directors and chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company, which were required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Long and short positions in the Shares and underlying Shares

Name of Shareholder	Nature of interest	Number of securities held (Note 1)	Approximate percentage of shareholding (%)
Keen Luck	Beneficial owner	1,020,000,000 Shares (L)	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.

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 on 26 March 2015.

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 31 December 2015, 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.

Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 10% of the shares of the Company in issue on the date of adoption. 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.

On 30 March 2015, a total number of 160,000,000 options were granted to the employees of the Group under the Share Option Scheme. Details of the issued share options under the Share Option Scheme are set out in note 33 to the consolidated financial statements.

Other than the share option scheme adopted by the Company described above, the Company had no outstanding convertible securities, options, warrants or similar rights as at 31 December 2015.

RIGHTS TO ACQUIRE COMPANY'S SECURITIES

Other than as disclosed under the sections "Share Options Scheme" and "Directors' and Chief Executive's Interest and Short Position in Shares, Underlying Shares and Debentures" 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 38 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.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's articles of association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

There is appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Group.

DONATIONS

During the year, the Group made no charitable and other donations (2014: Nil).

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 33 to the consolidated financial statements.

EMPLOYEES

A review of the number of employees and the related staff costs is provided in the Management Discussion and Analysis on pages 20. The Group ensures that the pay levels of its employees are competitive and in line with the market trend and its employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system.

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 system, risk management and internal control systems 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 2015.

AUDITOR

The consolidated financial statements for the year have been audited by Messrs. Deloitte Touche Tohmatsu ("Deloitte"). 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, 31 March 2016

Corporate Governance Report

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 complied with all the code provisions set out in the Corporate Governance Code as set out in the Appendix 14 to the Listing Rules for the financial year ended 31 December 2015.

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 2015. 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 (resigned on 15 December 2015)
Mr. Xu Fanghua (appointed on 15 December 2015)

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 25 of the annual report for the year ended 31 December 2015.

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 2015, 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 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, risk management, internal control systems and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors make 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.

Induction and 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 2015, 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/ Risk Management or Other Professional Skills
Executive Directors		
Mr. Jiang Jianqiang	✓	—
Mr. Shao Xiaoqiang	✓	—
Mr. Xu Fanghua	✓	—
Independent non-executive Directors		
Mr. Xu Jiaming	✓	—
Mr. Chen Tiegang	✓	—
Mr. Ma Chun Fung Horace	✓	✓

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee. 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.

The company secretary is responsible for ensuring the proper convening and conducting of the Board and Board committee meetings, with the relevant notices, agenda, and the Board and Board committee papers being provided to the Directors and the relevant Board committee members respectively in a timely manner before the meetings.

The company secretary is responsible for keeping minutes of all the Board and Board committee meetings. The Board and Board committee minutes are available for inspection by the Directors and the relevant Board committee members.

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 system, risk management and internal control systems, 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, risk management, 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 2015 and significant issues on the financial reporting and compliance procedures, risk management and internal control 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 2015, 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 2015 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 2015 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+	N/A	N/A	1/1+
Mr. Shao Xiaoqiang	4/4	N/A	1/1	N/A	1/1
Mr. Wu Yimin (Resigned on 15 December 2015)	4/4	N/A	N/A	N/A	1/1
Mr. Xu Fanghua (Appointed on 15 December 2015)	N/A	N/A	N/A	N/A	N/A
Mr. Xu Jiaming	4/4	1/1	N/A	2/2	0/1
Mr. Chen Tiegang	4/4	1/1	1/1+	2/2	1/1
Mr. Ma Chun Fung Horace	4/4	N/A	1/1	2/2+	1/1

\+ *Chairman*

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 acknowledged their responsibility for overseeing the preparation of the financial statements of the Group for the year ended 31 December 2015. The Directors have ensured that the financial statements of the Group are prepared so as to give a true and fair view of the Group's state of affairs, the results and cash flow for the year, and on a going concern basis in accordance with the statutory requirements and applicable accounting and financial reporting standards.

The Directors also ensure timely publication of the Group's financial statements and aim to present a clear, balanced and understandable assessment of the Group's performance and position through all its publications and communications to the public. They are also aware of the requirements under the applicable rules and regulations about timely disclosure of inside information.

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 49 to 50.

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 2015 amounted to HK$1.98 million and HK$0.85 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 2015 is set out below:

Service Category	Fees Paid/ Payable HK$(million)
Audit Services	1.98
Non-audit Services	
— interim review	0.85
	2.83

INTERNAL CONTROLS

During the year under review, the Board, through the Audit Committee, and with reference to the findings identified by the Company's external auditor and discussed during the audit committee meetings, 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, financial reporting and risk management function.

INTERNAL AUDIT FUNCTION

The internal audit function provided by Saite Steel (Jiangsu) (a subsidiary of the Company) is about conducting regular review of the Group's internal control procedures, including accounting system and operational procedures, and recommendations will be made for necessary actions. The management considers the present work arrangement of the internal audit function is effective having taken into account the current organizational structure, lines of responsibility, authority of the management team and the risks associated with the operations of the Group. The management and the audit committee review and monitor closely the internal audit function and are committed to strengthening it as and when necessary. In addition to the agreed scheduled work, other review and investigative work of the Group's businesses on an ad hoc basis may be conducted when it is required.

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.

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 under 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:	duowei.sun@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 51 to 107, which comprise the consolidated statement of financial position as at 31 December 2015, 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 financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
31 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2015

	NOTES	2015 RMB'000	2014 RMB'000
Revenue	7	**1,834,664**	1,660,285
Cost of sales		**(1,321,827)**	(1,165,394)
Gross profit		**512,837**	494,891
Other income	9	**6,373**	8,306
Selling and marketing expenses		**(9,585)**	(3,979)
Administrative expenses		**(59,918)**	(40,582)
Finance costs	10	**(1,343)**	—
Profit before tax		**448,364**	458,636
Income tax expense	13	**(122,461)**	(148,938)
Profit and total comprehensive income for the year attributable to owners of the Company	14	**325,903**	309,698
Earnings per share	16		
Basic (RMB cents)		**17.53**	19.36
Diluted (RMB cents)		**17.51**	N/A

Consolidated Statement of Financial Position

AT 31 DECEMBER 2015

	NOTES	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment	17	203,703	59,951
Prepaid lease payments	18	39,114	14,032
Investment in a joint venture	19	153,000	—
Deposits	20	—	158,544
		395,817	232,527
Current assets			
Amounts due from customers for contract work	21	4,264	1,293
Prepaid lease payments	18	902	339
Trade receivables	22	830,806	795,701
Other receivables, deposits and prepayments	23	188,874	5,071
Loan receivable	24	22,202	—
Bank balances and cash	25	881,406	625,646
		1,928,454	1,428,050
Current liabilities			
Amounts due to customers for contract work	21	1,009	5,670
Trade payables	26	74,994	178,189
Other payables and accruals	27	32,315	45,189
Amount due to a Director	28	—	3,191
Provisions	29	12,196	—
Short-term borrowings	30	75,402	—
Tax liabilities		51,195	53,724
		247,111	285,963
Net current assets		1,681,343	1,142,087
Total assets less current liabilities		2,077,160	1,374,614
Non-current liability			
Deferred tax liabilities	31	92,116	92,116
		1,985,044	1,282,498

	NOTES	2015 RMB'000	2014 RMB'000
Capital and reserves			
Share capital	32	**161,268**	126,653
Reserves		**1,823,776**	1,155,845
Equity attributable to owners of the Company		**1,985,044**	1,282,498

The consolidated financial statements on pages 51 to 107 were approved and authorised for issue by the Board of Directors on 31 March 2016 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 2015

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000 (Note a)	Statutory reserves RMB'000 (Note b)	Share option reserves 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 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**
Profit and total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**325,903**	**325,903**
Transfer to statutory reserves	**—**	**—**	**—**	**36,739**	**—**	**(36,739)**	**—**
Final dividend paid for the year ended 31 December 2014	**—**	**(33,939)**	**—**	**—**	**—**	**—**	**(33,939)**
Recognition of equity-settled share-based payment (note 33)	**—**	**—**	**—**	**—**	**12,565**	**—**	**12,565**
Issue of new shares (note 32)	**21,970**	**291,327**	**—**	**—**	**—**	**—**	**313,297**
Exercise of share options (note 33)	**12,645**	**84,640**	**—**	**—**	**(12,565)**	**—**	**84,720**
At 31 December 2015	**161,268**	**429,597**	**66,587**	**141,020**	**—**	**1,186,572**	**1,985,044**

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 (the "Stock Exchange"); 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 2015

	Note	2015 RMB'000	2014 RMB'000
OPERATING ACTIVITIES			
Profit before tax		**448,364**	458,636
Adjustments for:			
Bank interest income		**(2,920)**	(3,266)
Loan interest income		**(1,156)**	—
Equity-settled share-based payments		**12,565**	—
Depreciation of property, plant and equipment		**3,543**	3,003
Provisions for financial guarantees		**12,196**	—
Amortisation of prepaid lease payments		**553**	—
Finance costs		**1,343**	—
Operating cash flows before movements in working capital		**474,488**	458,373
Decrease in amounts due from customers for contract work		**8,042**	4,637
Increase in trade receivables		**(34,221)**	(398,028)
Increase in other receivables, deposits and prepayments		**(181,445)**	(1,972)
Decrease in amounts due to customers for contract work		**(4,661)**	(990)
(Decrease) increase in trade payables		**(107,967)**	99,282
(Decrease) increase in other payables and accruals		**(14,061)**	16,799
CASH GENERATED FROM OPERATIONS		**140,175**	178,101
PRC income tax paid		**(124,990)**	(96,331)
NET CASH FROM OPERATING ACTIVITIES		**15,185**	81,770
INVESTING ACTIVITIES			
Investment in a joint venture		**(153,000)**	—
Purchase of property, plant and equipment		**(22,830)**	(832)
Loan advance to a third party		**(22,202)**	—
Interest received		**2,920**	3,266
Acquisition of a subsidiary	37	**1,007**	—
Deposit paid for acquisition of subsidiary		**—**	(110,000)
Deposits paid for acquisition of property, plant and equipment		**—**	(48,544)
NET CASH USED IN INVESTING ACTIVITIES		**(194,105)**	(156,110)

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 RMB'000	2014 RMB'000
FINANCING ACTIVITIES			
Proceeds from issue of shares		**313,297**	—
Proceeds from issue of shares upon exercise of share option		**84,720**	—
Short-term borrowings		**75,402**	—
Dividends paid		**(33,939)**	(88,750)
Finance costs paid		**(1,609)**	—
Repayment to a director		**(3,191)**	(15,240)
Advance from a director		**—**	18,431
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**434,680**	(85,559)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**255,760**	(159,899)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**625,646**	785,545
CASH AND CASH EQUIVALENTS AT END OF THE YEAR represented by bank balances and cash		**881,406**	625,646

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 31 July 2012 and its shares (the "Shares") have been listed on the Stock Exchange with effect from 1 November 2013. Its immediate holding company and ultimate holding company are Keen Luck Group Limited and Champ Origin Limited respectively, which are limited companies incorporated in the British Virgin Islands.

The Company acts as an investment holding company. The principal activities of its subsidiaries are investment holding and construction of steel structure and prefabricated construction projects.

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 amendments to HKFRSs issued by the HKICPA.

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

The application of the amendments to 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 these 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[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

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

HKFRS 15 Revenue from Contracts with Customers

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.

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 related 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 as described 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

The consolidated financial statements have been prepared in accordance with HKFRSs 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 of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new Hong Kong Companies Ordinance and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor Hong Kong Companies Ordinance or Listing Rules but not under the new Hong Kong Companies Ordinance or amended Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-base Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Basis of consolidation — continued

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair values, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets held for Sale and Discontinued Operations" are measured in accordance with that standard.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Basis of consolidation — continued

Investment in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group like transaction and events in similar circumstances. Under the equity method, an interest in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of investment in the joint venture that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Revenue recognition

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

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

Sales of scrapped goods

Revenue from sales of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purpose (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress including property, plant and equipment in the course of construction for production, administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Leasing — continued

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term of the relevant lease. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

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.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Impairment of tangible assets — continued

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 in profit or loss.

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 construction contract can be estimated reliably, revenue and costs are 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.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

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, loan receivable and bank balances and cash) 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).

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Financial instruments — continued

Financial assets — continued

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised costs, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Financial instruments — continued

Financial liabilities and equity instruments

Debt 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.

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.

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.

Financial liabilities

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer (i.e. the guarantor) to make specified payments to reimburse the holder (i.e. the beneficiary of the guarantee) for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Financial instruments — continued

Financial liabilities and equity instruments — continued

Financial guarantee contracts — continued

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

(i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and

(ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised 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 monetary items are recognised in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

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 deferred tax 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 and a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Taxation — continued

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.

Equity-settled share-based payment transactions

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 33.

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

When the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the 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.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Provisions

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY — CONTINUED

Construction contracts

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

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2015, the carrying amount of trade receivables is RMB830,806,000 (2014: RMB795,701,000) as disclosed in note 22.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts, which includes amount due to a director and short-term borrowings disclosed in notes 28 and 30, respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital, reserves and retained profits.

The Directors 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.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2015 RMB'000	2014 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**1,735,617**	1,421,350
Financial liabilities		
Amortised cost	**152,571**	182,863

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, loan receivable, bank balances and cash, trade payables, and other payables, amount due to a director and short-term borrowings.

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:

	2015 RMB'000	2014 RMB'000
Bank balances	540	1,199
Loan receivable	22,202	—
Amount due to a director	—	(3,191)
Short-term borrowings	(75,402)	—
Other payables	(1,975)	(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.

	2015 RMB'000	2014 RMB'000
Profit for the year	2,732	172

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.

	2015 **RMB'000**	2014 RMB'000
Increase in profit for the year	**1,653**	1,173

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.

The Group also exposes to fair value interest rate risk, which primarily relates to the Group's fixed rate loan receivable and short-term borrowings. After reviewing the Group's exposure for the time being, the Group did not enter into any arrangements to minimise this interest rate risk. Management monitors interest rate exposure and will consider entering into appropriate hedging transactions should the need arise.

6. FINANCIAL INSTRUMENTS — CONTINUED

(b) Financial risk management objectives and policies — continued

Credit risk

As at 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respect recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the management reviews the recoverable amount of each individual trade receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the credit risk of the Group is significantly reduced.

The credit risk of the Group is concentrated on trade receivables from the Group's five largest customers at 31 December 2015 amounting to RMB279,276,000 (2014: RMB463,208,000) and accounted for 34% (2014: 58%) of the Group's total trade receivables. These five largest customers include state-owned enterprises and private limited companies registered and operated in the PRC. They are mainly the main contractors of construction projects. In order to minimise the credit risk, the management continuously monitors the level of exposure by frequent review of the credit evaluation of the financial condition and credit quality of its customers to ensure that prompt actions will be taken to lower exposure.

The management of the Group considers that the credit risk on liquid funds is limited because the counterparties are banks with good reputation.

6. FINANCIAL INSTRUMENTS — CONTINUED

(b) Financial risk management objectives and policies — continued

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Weighted average effective interest rate	On demand or less than 3 months	3–6 months	6 months–1 year	1–5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2015							
Trade payables	—	58,231	5,074	10,366	1,323	74,994	74,994
Other payables	—	2,175	—	—	—	2,175	2,175
Short-term borrowings	8	3,016	1,340	75,402	—	79,758	75,402
Amount due to a director	—	—	—	—	—	—	—
		63,422	6,414	85,768	1,323	156,927	152,571
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

6. FINANCIAL INSTRUMENTS — CONTINUED

(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 costs in the consolidated financial statements approximate their corresponding 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. 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.

8. SEGMENT INFORMATION — CONTINUED

Entity-wide information

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

	2015 RMB'000	2014 RMB'000
Construction of		
— Steel structure projects	**1,071,625**	963,247
— Prefabricated construction projects	**763,039**	697,038
	1,834,664	1,660,285

Geographical information

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

Information about major customers

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

	2015 RMB'000	2014 RMB'000
Customer A[1]	**215,562**	*
Customer B[1]	*	259,004
Customer C[1]	*	166,374
Customer D[2]	*	174,628

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

	2015 RMB'000	2014 RMB'000
Interest income on bank deposits	**2,920**	3,266
Other interest income	**1,156**	—
Sales of scrapped materials	**1,751**	4,669
Exchange gain	**540**	—
Others	**6**	371
	6,373	8,306

10. FINANCE COSTS

	2015 RMB'000	2014 RMB'000
Interests on short-term borrowings	**1,343**	—

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 benefits scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2015:					
Executive directors:					
Mr. Jiang Jianqiang	—	1,393	1,200	13	2,606
Mr. Shao Xiaoqiang	—	793	1,200	13	2,006
Mr. Wu Yimin	—	680	—	12	692
Mr. Xu Fanghua	—	8	—	—	8
Sub-total	—	2,874	2,400	38	5,312
Independent non-executive directors:					
Mr. Xu Jiaming	97	—	—	—	97
Mr. Chen Tiegang	97	—	—	—	97
Mr. Ma Chun Fung Horace	193	—	—	—	193
Sub-total	387	—	—	—	387
Total					5,699

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

	Fees RMB'000	Salaries and other benefits RMB'000	Discretionary bonus RMB'000	Retirement benefits 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
Sub-total	—	1,170	6,000	33	7,203
Independent non-executive directors:					
Mr. Xu Jiaming	95	—	—	—	95
Mr. Chen Tiegang	95	—	—	—	95
Mr. Ma Chun Fung Horace	190	—	—	—	190
Sub-total	380	—	—	—	380
Total					7,583

The executive Directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive Directors' emoluments shown above were mainly for their services as Directors of the Company.

Mr. Shao Xiaoqiang is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

The discretionary bonus is determined by the performance of individuals.

None of the directors waived any emoluments for both years. No emolument was paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2014: 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 three (2014: two) highest paid individuals were as follows:

	2015 RMB'000	2014 RMB'000
Salaries and other benefits	**438**	288
Discretionary bonus	**—**	1,800
Equity-settled share option expenses	**3,769**	—
Retirement benefits scheme contributions	**40**	20
	4,247	2,108

The emoluments were within the following bands:

	Number of individuals	
	2015	2014
Below HK$1,000,000	**—**	—
HK$1,000,001 to HK$1,500,000	**3**	2
HK$1,500,001 to HK$2,000,000	**—**	—
	3	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

	2015 RMB'000	2014 RMB'000
Current tax:		
PRC Enterprise Income Tax	**122,461**	117,277
PRC withholding tax	**—**	3,953
Deferred tax (note 31):		
Current year	**—**	27,708
	122,461	148,938

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:

	2015 RMB'000	2014 RMB'000
Profit before tax	**448,364**	458,636
Tax at the PRC Enterprise Income Tax rate of 25% (2014: 25%)	**112,091**	114,659
Tax effect of expenses not deductible for tax purpose	**8,699**	2,755
Tax effect of different tax rate of subsidiaries operating in other jurisdiction	**1,226**	—
Deferred tax on undistributed earnings of a PRC subsidiary	**—**	31,661
Others	**445**	(137)
Income tax expense for the year	**122,461**	148,938

14. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

	2015 RMB'000	2014 RMB'000
Profit and total comprehensive income for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**1,594**	1,558
Depreciation of property, plant and equipment	**14,217**	5,650
Less: amounts capitalised in contract work in progress	**(10,674)**	(2,647)
	3,543	3,003
Amortisation of prepaid lease payments	**892**	339
Less: amounts capitalised in contract work in progress	**(339)**	(339)
	553	—
Staff costs (including Directors' emoluments)		
Salaries and other benefits	**62,521**	80,382
Equity settled share-based payments	**12,565**	—
Retirement benefits scheme contributions	**4,726**	4,529
	79,812	84,911
Less: amounts capitalised in contract work in progress	**(51,315)**	(58,442)
Less: amounts capitalised in construction in progress	**—**	(4)
	28,497	26,465
Operating lease rentals in respect of:		
Plant and machinery	**—**	960
Premises	**7,433**	5,038
	7,433	5,998
Less: amounts capitalised in contracts work in progress	**(5,502)**	(4,560)
	1,931	1,438
Provisions for financial guarantees (included in administrative expenses)	**12,196**	—
Research cost recognised as an expense	**600**	600
Contract work in progress recognised as expense	**1,300,676**	1,143,450

15. DIVIDENDS

	2015 RMB'000	2014 RMB'000
Dividend recognised as distribution during the year:		
Final dividend paid in respect of the year ended 31 December 2014 of RMB1.93 cents (equivalent to HK2.44 cents) (31 December 2014: final dividend paid in respect of the year ended 31 December 2013 of RMB5.5 cents (equivalent to HK7.1 cents)) per Share	**33,939**	88,750

The final dividend in respect of the year ended 31 December 2015 of RMB1.60 cents (equivalent to HK1.91 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 basic and diluted earnings per Share is based on the following data:

	2015 RMB'000	2014 RMB'000
Earnings		
Earnings for the purpose of basic and diluted earnings per Share Profit for the year	**325,903**	309,698
	'000	'000
Number of Shares		
Weighted average number of ordinary shares for the purpose of basic earning per Share	**1,859,003**	1,600,000
Effect of dilutive potential ordinary shares: share options	**2,038**	—
Weighted average number of ordinary shares for the purpose of diluted earning per Share	**1,861,041**	1,600,000

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

17. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Buildings and structures	Plant and machinery	Motor vehicles	Office equipment	Leasehold improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At 1 January 2014	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
Additions	—	—	71,280	—	94	—	71,374
Acquisition of a subsidiary	—	54,499	31,972	47	77	—	86,595
At 31 December 2015	**—**	**120,119**	**122,048**	**5,392**	**1,498**	**322**	**249,379**
DEPRECIATION							
At 1 January 2014	—	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
Provided for the year	—	6,253	7,069	615	190	90	14,217
At 31 December 2015	**—**	**20,542**	**18,864**	**4,881**	**1,067**	**322**	**45,676**
CARRYING VALUES							
At 31 December 2015	**—**	**99,577**	**103,184**	**511**	**431**	**—**	**203,703**
At 31 December 2014	—	51,331	7,001	1,079	450	90	59,951

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

	2015 RMB'000	2014 RMB'000
The carrying value of land comprises:		
Leasehold land in the PRC under medium-term lease	**40,016**	14,371
Analysed for reporting purposes as:		
Non-current asset	**39,114**	14,032
Current asset	**902**	339
	40,016	14,371

19. INVESTMENT IN A JOINT VENTURE

	2015 RMB'000
Costs of unlisted investment	**153,000**
Share of post-acquisition profit and other comprehensive income, net of dividends received/declared	**—**
	153,000

Details of the Group's joint venture at the end of the reporting period are as follows:

Name of entity	Country of incorporation/ registration	Principal place of business	Proportion of ownership invest held by the Group		Proportion of voting right held by the Group		Principal activity
			2015	2014	2015	2014	
江蘇華晨賽特投資發展有限公司 ("Jiangsu HuaChen Saite")	the PRC	the PRC	**51%**	—	**51%**	—	Inactive

19. INVESTMENT IN A JOINT VENTURE — CONTINUED

In June 2015, the Group, together with two independent third parties, established Jiangsu HuaChen Saite, a PRC-incorporated company and engaged in construction of steel structure and prefabricated construction projects, which a total capital injection of RMB153,000,000. Upon the establishment of Jiangsu HuaChen Saite, the Group held 51% equity interests in Jiangsu HuaChen Saite while the other two parties, namely 北京城建道橋建設集團有限公司 and 宜興市鴻瑞物資有限公司 ("Yixing Hongrui") held 40% and 9%, respectively. The investment is classified as investment in a joint venture because no single party could control Jiangsu HuaChen Saite and the relevant activities require unanimous consent of the parties sharing control. Jiangsu HuaChen Saite was incorporated to continue the expansion of the Group's operation. Summarised financial information in respect of the Group's investment in the joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

The joint venture is accounted for using the equity method in these consolidated financial statements.

	2015 RMB'000
Current assets	300,000
Non-current assets	—
Current liabilities	—
Non-current liabilities	—
Profit and total comprehensive income	—

Reconciliation of the above summarised financial information to the carrying amount of the investment in a joint venture recognised in the consolidated financial statements:

	2015 RMB'000
Equity attributable to owners of the joint venture	300,000
Proportion of the Group's ownership interest	51%
Carrying amount of the Group's investment in the joint venture	153,000

20. DEPOSITS

	2015 RMB'000	2014 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 江蘇旗峰新型建材有限公司 (Jiangsu Qifeng New Building Materials Company Limited*) ("Jiangsu Qifeng") at a consideration of RMB110 million. The transaction was subsequently completed in January 2015. Details of the acquisition are set out on note 37.

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

	2015 RMB'000	2014 RMB'000
Contracts in progress at the end of the year:		
Contract costs incurred	**1,771,158**	1,498,768
Recognised profits less recognised losses	**740,080**	719,354
	2,511,238	2,218,122
Less: progress billings	**(2,507,983)**	(2,222,499)
	3,255	(4,377)
Analysed for reporting purposes as:		
Amounts due from contract customers	**4,264**	1,293
Amounts due to contract customers	**(1,009)**	(5,670)
	3,255	(4,377)

As at 31 December 2015, retention held by customers for contract work amounting to RMB367,077,000 (2014: RMB236,675,000) have been included in trade receivables under current assets.

22. TRADE RECEIVABLES

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

	2015 RMB'000	2014 RMB'000
0–30 days	172,595	209,678
31–90 days	262,690	289,694
91–180 days	28,444	59,654
	463,729	559,026
Retention receivables	367,077	236,675
	830,806	795,701
Retention receivables		
Due within 1 year	226,815	173,133
Due after 1 year	140,262	63,542
	367,077	236,675

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.

22. TRADE RECEIVABLES — CONTINUED

Included in the Group's trade receivables are debtors with aggregate carrying amount of RMB89,529,000 as at 31 December 2015 (2014: RMB195,635,000), which are past due as at the end of the year for which the Group has not provided for impairment loss.

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

	2015 RMB'000	2014 RMB'000
0–30 days	61,046	3,165
31–90 days	13,297	166,720
91–180 days	8,094	21,870
180 days above	7,092	3,880
	89,529	195,635

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.

23. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2015 RMB'000	2014 RMB'000
Other receivables	1,203	3
Deposits paid	726	784
Prepayments	186,945	4,284
	188,874	5,071

Prepayments mainly represent the material costs prepaid to suppliers at the total amount of RMB177,434,000 during the current year.

24. LOAN RECEIVABLE

On 16 June 2015, Modern Day Holdings Limited, a subsidiary of the Company, entered into a loan agreement amounting to HK$26,500,000 (equivalent to RMB22,202,000) with an entity incorporated in the British Virgin Islands which is an independent third party. The loan receivable of the Group is unsecured, interest bearing and repayable on 16 December 2015. Effective interest rate is 10% per annum. The amount is subsequently repaid in February 2016.

25. BANK BALANCES

At 31 December 2015, bank balances carry interest at prevailing market rates ranged from 0.01% to 0.35% (2014: 0.01% to 0.385%) per annum.

26. 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:

	2015 **RMB'000**	2014 RMB'000
0–30 days	**49,833**	159,305
31–90 days	**3,035**	6,080
91–180 days	**2,100**	—
	54,968	165,385
Retention payables	**20,026**	12,804
	74,994	178,189
Retention payables		
Due within 1 year	**18,703**	12,257
Due after 1 year	**1,323**	547
	20,026	12,804

27. OTHER PAYABLES AND ACCRUALS

	2015 RMB'000	2014 RMB'000
Accrued wages and staff benefits	**14,184**	11,310
Other accrued expenses	**2,764**	3,906
Other tax payables	**13,192**	28,490
Other payables	**2,175**	1,483
	32,315	45,189

28. AMOUNT DUE TO A DIRECTOR

The amount due to a director as at 31 December 2014 represented amount due to Mr. Jiang Jianqiang which is unsecured, interest-free and repayable on demand.

During the year ended 31 December 2015, the amount has been fully repaid.

29. PROVISIONS

Jiangsu Saite Steel Structure Co., Ltd. ("Saite Steel (Jiangsu)"), a subsidiary of the Group, and Mr. Jiang Jianqiang, a Director of the Company, provided jointly and severally financial guarantees to a micro credit entity in Jiangsu, the PRC, in respect of a loan of approximately RMB3,000,000 granted to an individual, namely, 梅秀芳. Besides, Saite Steel (Jiangsu) and Mr. Jiang Jianqiang and two other individuals, namely, 梅正芳 and 梅秀芳, provided jointly and severally financial guarantees to the same micro credit entity in respect of a loan of approximately RMB2,000,000 granted to another individual, namely, 田麗. 梅正芳 and 梅秀芳 have beneficial interest of an entity established in the PRC, namely, 江蘇百納環境工程有限公司 ("JSBN"). 梅正芳，梅秀芳，田麗 and JSBN are independent third parties. The loans were past due and no settlement was made as at 31 December 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.

In addition, Saite Steel (Jiangsu) also acted as a financial guarantor to Yixing Hongrui for its purchases of goods from a supplier operated in Shanghai, the PRC, of approximately RMB7,167,000 in aggregate. The balance was originally past due but it was subsequently agreed among the involved parties on the repayment schedule which Yixing Hongrui would repay approximately RMB1,000,000 on a monthly instalment basis from February 2016 to September 2016 to repay the amount.

29. PROVISIONS — CONTINUED

Yixing Hongrui become a shareholder holding 9% equity interest of a newly established joint venture of the Group, Jiangsu HuaChen Saite in June 2015, as disclosed in note 19.

Based on the estimation of the Directors, Saite Steel (Jiangsu) is probable to be required to settle the outstanding loan balances above and the related interests amounting to RMB12,196,000 in aggregate, under these financial guarantees and as such the amounts are recognised as provisions included in administrative expenses of the consolidated statement of profit and loss and other comprehensive income during the current year.

30. SHORT-TERM BORROWINGS

On 29 September 2015 and 16 October 2015, the Company entered into loan agreements amounting to HK$50,000,000 and HK$40,000,000 with an individual and an entity incorporated in Hong Kong, respectively, which are both independent third parties. The borrowings of the Group are unsecured, interest bearing at 8% per annum and repayable on 29 September 2016 and 16 October 2016, respectively. Effective interest rate is 8% per annum.

31. DEFERRED TAX LIABILITY

	Withholding tax on undistributed earnings
	RMB'000
At 1 January 2014	64,408
Release upon distribution of earnings	(3,953)
Charge for the year	31,661
At 31 December 2014 and 2015	**92,116**

31. DEFERRED TAX LIABILITY — CONTINUED

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 2015, no deferred tax charge (2014: RMB31,661,000) on the temporary differences associated with undistributed earnings of subsidiaries has been recognised in the consolidated statement of profit or loss and other comprehensive income, because the Group is in a position to control the timing of the reversed of the temporary differences and it is probable that such difference will not reverse in the foreseeable futures.

32. SHARE CAPITAL

	Number of Shares at HK$0.10 per Share	Amount	Shown in the consolidated financial statements
		HK$'000	RMB'000
Authorised:			
At 1 January 2014 and 31 December 2014 and 2015	5,000,000,000	500,000	
Issued:			
At 1 January 2014 and 31 December 2014	1,600,000,000	160,000	126,653
New shares issue	278,000,000	27,800	21,970
Exercise of share options (note 33)	160,000,000	16,000	12,645
At 31 December 2015	**2,038,000,000**	**203,800**	**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 Investment Holdings Limited and Beijing Urban Construction Road and Bridge Group Co., Ltd. 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 (equivalent to RMB313,297,000). These new Shares rank pari passu in all respects with the existing Shares.

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

33. 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.

33. SHARE OPTION SCHEME — CONTINUED

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 2014 and 31 December 2014	—
Granted during the year	160,000
Exercised during the year	(160,000)
Outstanding as at 31 December 2015	—

There was no cancellation or lapse of options during both years.

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

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

In current year, 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 costs.

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.

34. 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 12 respectively.

35. OPERATING LEASE COMMITMENTS

The Group as lessee

At 31 December 2015, 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:

	2015 RMB'000	2014 RMB'000
Premises		
Within one year	4,962	726
In the second to third year inclusive	5,826	—
	10,788	726

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

36. CAPITAL COMMITMENTS

	2015 RMB'000	2014 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
— Acquisition of steel structure construction business and related production facilities	**—**	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
— Capital injection to an investee	**226,000**	—

37. 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".

37. 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:	
Deposit paid in prior year	110,000
Cash inflow arising on acquisition	
Bank balances and cash acquired	1,007

38. 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:

	2015 RMB'000	2014 RMB'000
Short-term benefits	**7,765**	10,030
Contributions to retirement benefits scheme	**72**	67
	7,837	10,097

39. FINANCIAL INFORMATION OF THE COMPANY

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

	2015 RMB'000	2014 RMB'000
Non-current asset		
Investments in subsidiaries	**730,004**	602,740
Current assets		
Other receivables and prepayments	**4,057**	717
Amounts due from subsidiaries	**369,438**	64,841
Bank balances	**371**	—
	373,866	65,558
Current liabilities		
Other payables and accruals	**4,732**	4,444
Amount due to a director	**—**	3,013
Short-term borrowings	**75,402**	—
	80,134	7,457
Net current assets	**293,732**	58,101
Total assets less current liabilities	**1,023,736**	660,841
Capital and reserves		
Share capital (see note 32)	**161,268**	126,653
Reserves	**862,468**	534,188
Total equity	**1,023,736**	660,841

39. 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	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2014	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 2014	—	(88,750)	—	—	—	(88,750)
At 31 December 2014	126,653	87,569	464,556	—	(17,937)	660,841
Loss and total comprehensive expense for the year	—	—	—	—	(13,748)	(13,748)
Final dividend paid for the year ended 31 December 2014	—	(33,939)	—	—	—	(33,939)
Recognition of equity-settled share-based payment (note 33)	—	—	—	12,565	—	12,565
Issued of new shares (note 32)	21,970	291,327	—	—	—	313,297
Exercise of share options (note 33)	12,645	84,640	—	(12,565)	—	84,720
At 31 December 2015	**161,268**	**429,597**	**464,556**	**—**	**(31,685)**	**1,023,736**

Under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"), dividends may be paid only out of profits. In addition, the Companies Law permits, subject to a solvency test and the provisions, if any, of the Company's memorandum and articles of association, the payment of dividends and distributions out of share premium account. The Company's reserve available for distribution as at 31 December 2015 consisted of share premium and capital reserve of RMB894,153,000 in aggregate (2014: RMB552,125,000).

(c) Investments in subsidiaries

	2015 RMB'000	2014 RMB'000
Unlisted share, at cost, including deemed capital contribution in subsidiaries	**730,004**	602,740

Particulars regarding the subsidiaries at 31 December 2015 and 2014 are set out in note 40.

39. FINANCIAL INFORMATION OF THE COMPANY — CONTINUED

(d) Amounts due from subsidiaries

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

40. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Place and date of incorporation/ establishment	Equity interest attributable to the Company		Issued and fully paid share capital/registered capital	Principal activity
		2015	2014		
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)	the 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)	the PRC 24 September 1998	100%	100%	Registered capital RMB399,600,000 Paid-up capital RMB341,367,000 (2014: Registered capital RMB246,667,000 Paid-up capital RMB226,667,000)	Construction of steel structure and prefabricated construction projects
江蘇旗峰新型建材有限公司 Jiangsu Qifeng New Building Materials Company Limited (note c)	the PRC 14 April 2008	100%	—	Registered capital RMB197,000,000 Paid-up capital RMB137,000,000	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.

(c) The entity is a wholly sino-owned enterprise established in the PRC. The English name is for translation purpose.

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				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**1,834,664**	1,660,285	1,427,185	1,048,078	646,818
Cost of sales	**(1,321,827)**	(1,165,394)	(946,025)	(711,877)	(456,941)
Gross profit	**512,837**	494,891	481,160	336,201	189,877
Other income	**6,373**	8,306	5,934	7,993	4,044
Selling and distribution expense	**(9,585)**	(3,979)	(2,246)	(1,106)	(3,389)
Administrative expense	**(59,918)**	(40,582)	(21,085)	(15,271)	(11,205)
Other expense	**—**	—	(20,255)	(11,078)	—
Finance costs	**(1,343)**	—	—	(8,506)	(7,778)
Profit before tax	**448,364**	458,636	443,508	308,233	171,549
Income tax expense	**(122,461)**	(148,938)	(149,486)	(104,406)	(53,587)
Total comprehensive income for the year	**325,903**	309,698	294,022	203,827	117,962
Earnings per share					
Basic (RMB cents)	**17.53**	19.36	23.21	16.99	9.83
Diluted (RMB cents)	**17.51**	N/A	N/A	N/A	N/A

Assets and Liabilities

	Year Ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**395,817**	232,527	79,140	80,772	86,203
Current assets	**1,928,454**	1,428,050	1,189,600	564,978	477,637
Current liabilities	**(247,111)**	(285,963)	(142,782)	(138,441)	(350,390)
Non-current liabilities	**(92,116)**	(92,116)	(64,408)	(42,673)	(19,308)
Total Equity	**1,985,044**	1,282,498	1,061,550	464,636	194,142

For the purpose of this report, "*" denotes an official English translation.