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

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 153)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board (the "Board") of directors of China Saite Group Company Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2016.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
	NOTES	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**656,010**	742,737
Cost of sales		**(487,680)**	(536,727)
Gross profit		**168,330**	206,010
Other income		**2,691**	2,621
Selling and marketing expenses		**(1,113)**	(8,517)
Administrative expenses		**(20,623)**	(29,007)
Finance costs		**(3,033)**	—
Profit before tax		**146,252**	171,107
Income tax expense	*4*	**(39,762)**	(48,587)
Profit and total comprehensive income for the period attributable to owners of the Company	*5*	**106,490**	122,520
Earnings per share	*7*		
Basic *(RMB cents)*		**5.23**	7.31
Diluted *(RMB cents)*		**N/A**	7.30

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	NOTES	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	8	**195,114**	203,703
Prepaid lease payments		**38,656**	39,114
Investment in a joint venture		**153,000**	153,000
		386,770	395,817
Current assets			
Amounts due from customers for contract work		**5,805**	4,264
Prepaid lease payments		**902**	902
Trade receivables	9	**1,045,914**	830,806
Other receivables, deposits and prepayments		**110,626**	188,874
Loan receivable		**—**	22,202
Bank balances and cash		**879,049**	881,406
		2,042,296	1,928,454
Current liabilities			
Amounts due to customers for contract work		**3,400**	1,009
Trade payables	10	**73,103**	74,994
Other payables and accruals		**66,926**	32,315
Amounts due to directors		**3,538**	—
Provisions	11	**12,196**	12,196
Short-term borrowings	12	**76,920**	75,402
Tax liabilities		**41,941**	51,195
		278,024	247,111
Net current assets		**1,764,272**	1,681,343
Total assets less current liabilities		**2,151,042**	2,077,160
Non-current liability			
Deferred tax liabilities		**92,116**	92,116
		2,058,926	1,985,044
Capital and reserves			
Share capital		**161,268**	161,268
Reserves		**1,897,658**	1,823,776
Equity attributable to owners of the Company		**2,058,926**	1,985,044

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

For the six months ended 30 June 2016

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

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

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle

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

3. REVENUE AND SEGMENT INFORMATION

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

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

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

Entity-wide information

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

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Construction of		
— Steel structure projects	**424,815**	419,420
— Prefabricated construction projects	**231,195**	323,317
	656,010	742,737

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 most of the Group's non-current assets are all located in the PRC.

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax ("EIT")	**39,762**	48,587

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

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

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

5. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit and total comprehensive income for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**8,612**	6,054
Less: amounts capitalised in contract work in progress	**(7,024)**	(4,241)
	1,588	1,813
Amortisation of prepaid lease payments	**458**	434
Less: amounts capitalised in contract work in progress	**(169)**	(169)
	289	265
Staff salaries (including directors' emoluments)	**30,425**	27,346
Retirement benefit scheme contribution	**2,859**	2,403
Equity-settled share-based payment	**—**	12,565
Total staff costs	**33,284**	42,314
Less: amounts capitalised in contract work in progress	**(27,289)**	(22,443)
	5,995	19,871
Operating lease rentals in respect of:		
Premises	**2,626**	1,645
Less: amounts capitalised in contract work in progress	**(1,954)**	(864)
	672	781
Contract work in progress recognised as expense	**481,306**	535,839
Net exchange loss (gain)	**1,577**	(1,117)
Interest income on bank deposits	**(1,566)**	(1,505)
Interest income on loan receivable	**(48)**	—

6. DIVIDENDS

During the current interim period, a final dividend of RMB1.60 cents (equivalent to HK1.91 cents) per share in respect of the year ended 31 December 2015 was declared but not yet paid to the owners of the Company (six months ended 30 June 2015: RMB1.93 cents per share in respect of the year ended 31 December 2014 was declared and paid to the owners of the Company).

	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Dividend recognised as distribution during the period	**32,608**	33,939

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: nil).

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share		
Profit for the period attributable to owners of the Company	**106,490**	122,520
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,038,000**	1,677,039
Effect of dilutive potential ordinary shares: share options	**—**	1,648
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,038,000**	1,678,687

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

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired property, plant and equipment of approximately RMB23,000 (six months ended 30 June 2015: RMB122,015,000).

The Group did not write off any property, plant and equipment for both periods.

9. TRADE RECEIVABLES

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

	At 30 June 2016 *RMB'000* **(Unaudited)**	At 31 December 2015 *RMB'000* (Audited)
0–30 days	**192,043**	172,595
31–90 days	**222,207**	262,690
91–180 days	**144,610**	28,444
181 days–1 year	**114,383**	—
	673,243	463,729
Retention receivables	**372,671**	367,077
	1,045,914	830,806
Retention receivables		
Due within 1 year	**320,459**	226,815
Due after 1 year	**52,212**	140,262
	372,671	367,077

Included in the Group's trade receivables are debtors with aggregate carrying amount of RMB381,501,000 as at 30 June 2016 (31 December 2015: RMB89,529,000), which are past due as at 30 June 2016 for which the Group has not provided for impairment loss.

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

	At 30 June 2016 *RMB'000* **(Unaudited)**	At 31 December 2015 *RMB'000* (Audited)
0–30 days	**43,538**	61,046
31–90 days	**73,468**	13,297
91–180 days	**148,673**	8,094
180 days above	**115,822**	7,092
	381,501	89,529

10. TRADE PAYABLES

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

	At 30 June 2016 *RMB'000* (Unaudited)	At 31 December 2015 *RMB'000* (Audited)
0–30 days	**55,115**	49,833
31–90 days	**2,328**	3,035
91–180 days	**—**	2,100
181 days–1 year	**2,100**	—
	59,543	54,968
Retention payables	**13,560**	20,026
	73,103	74,994
Retention payables		
Due within 1 year	**13,560**	18,703
Due after 1 year	**—**	1,323
	13,560	20,026

11. PROVISIONS

江蘇賽特鋼結構有限公司 (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 and accordingly, 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. Up to 30 June 2016, no settlement was made by the borrowers for the outstanding balance with interest.

In addition, Saite Steel (Jiangsu) also acted as a financial guarantor to 宜興市鴻瑞物資有限公司 ("Yixing Hongrui"), another venture of the joint venture of the Group, 江蘇華晨賽特投資發展有限公司, for its purchases of goods from a supplier operated in Shanghai, the PRC, of approximately RMB7,167,000 in aggregate. The involved parties agreed 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 as at 31 December 2015. During six months ended 30 June 2016, no settlement was made by Yixing Hongrui.

Based on the estimation of the directors of the Company, 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. The provisions remain as at 30 June 2016.

12. 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.

13. CAPITAL COMMITMENT

	At 30 June 2016 *RMB'000* **(Unaudited)**	At 31 December 2015 *RMB'000* (Audited)
Capital expenditure authorised and contracted for in respect of:		
— Capital injection to an investee	**226,000**	226,000

MANAGEMENT DISCUSSION AND ANALYSIS

Introduction

As a provider of integrated construction solutions using steel structures and prefabricated components, the Group's integrated construction solutions are 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.

The Group's 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..

The Group's prefabricated construction solutions meet the requirements for energy-conservation and environmental protection, and the products are mainly used in the construction of social security housings and public structure projects in the urbanisation process driven by the PRC government.

Business Review

During the first half of 2016, the gross domestic product in the PRC recorded a growth of approximately 6.5% on a year on year basis ("YOY"), while the growth recorded for the corresponding period in 2015 was approximately 7%. The investment of fixed assets (excluding agricultural households) recorded an increase of approximately 9% YOY, while the increase recorded for the corresponding period in 2015 was approximately 12.5%. The slowdown of global economy and the problem of oversupply in the worldwide construction industry lead to a fierce competition in both the steel structure industry and prefabricated construction industry. For the above worldwide and domestic economic conditions, the Company and its subsidiaries were facing great operation pressure in the first half of 2016. Nevertheless, the management of the Group has continued to expand its business to the international market and strengthen business partnerships with local and central state-owned enterprises to get through these challenges.

With regard to our steel structure business, we kept expanding our business line in export sales in 2016. During the first half of 2016, our Group signed construction contracts for exports to Australia, Cambodia and, for the first time, Turkey. On the other hand, for our prefabricated construction business, we still mainly focused on construction projects in Yixing and Shanghai.

As a result of the economic slowdown, the Group recorded decrease in revenue, gross profit and net profit for the six-month period ended 30 June 2016 as compared to those for the corresponding period of last year. During the period under review, the Group recorded a revenue of approximately RMB656,010,000 (corresponding period of 2015: approximately RMB742,737,000). Gross profit amounted to approximately RMB168,330,000 (corresponding period of 2015: approximately RMB206,010,000). The average gross profit margin was approximately 25.7% (corresponding period of 2015: approximately 27.7%). Profit attributable to the owners of the Company amounted to approximately RMB106,490,000 (corresponding period of 2015: approximately RMB122,520,000). Basic earnings per share amounted to approximately RMB5.23 cents (corresponding period of 2015: approximately RMB7.31 cents).

Other than the above mentioned, there have been no material changes in respect of such matters discussed in the Management Discussion and Analysis of 2015 Annual Report of the Company under the subject headed "Business Review".

Steel Structure

During the first half of 2016, regarding to the fact that Jiangsu Province is currently under rapid development, our Group involved in numbers of construction projects related to bridges and public structures in Nanjing, Yixing, Rugao and Nantong etc.. Revenue generated from Jiangsu Province represented approximately 55.7% of the total revenue generated from steel structure business segment in the first half of 2016.

Besides the strong demand in Jiangsu Province, our Group also explores more business opportunities outside the PRC. In 2016, we have signed two new construction contracts for export to Australia, one for export to Cambodia and one for export to Turkey, with a total contract sum of approximately RMB179 million. As the quality requirement of products for these export projects is very high, our management believes that the Group can develop a strong reputation in the industry and strengthen its business network over Asia and Oceania.

For the six-month period ended 30 June 2016, the revenue from the Group's steel structure business amounted to approximately RMB424,815,000, representing an increase of approximately 1.3% YOY. The gross profit margin was approximately 22.0%, representing a decrease of approximately 2.1 percentage points YOY. The completed steel structure parts were approximately 49,225 tons, representing a decrease of approximately 5.7% YOY.

During the first half of 2016, the type and number of steel structure projects completed by the Group are as follows:

Type of project	**Number of projects For the six-month period ended 30 June**	
	2016	2015
Bridges	—	2
Factories	**4**	4
Public structures	**4**	4
Export orders of steel structure	**2**	1
Total	**10**	11

During the first half of 2016, the Group completed a total of 10 steel structure projects. With regard to overseas market, in particular those countries along "One Belt, One Road" ("OBOR") and Australia, as more business opportunities would be identified from those countries, the Group adjusted its strategy for development and put more resources to the export order business which had relatively higher gross profit margin.

As at 30 June 2016, the type and number of the Group's steel structure projects in progress are set out as follows:

Type of project	Number of projects For the six-month period ended 30 June	
	2016	2015
Bridges	**3**	2
Factories	**2**	1
Public structures	**1**	4
Export orders of steel structure	**3**	2
Total	**9**	9

The above-mentioned steel structure projects in progress are expected to be completed by the second half of 2016 or in 2017.

Prefabricated construction

During the period under review, the Group continued to focus on the development of social security housings.

For the six-month period ended 30 June 2016, revenue from the Group's prefabricated construction amounted to approximately RMB231,195,000, representing a decrease of approximately 28.5% YOY. The gross profit margin maintained at approximately 32.4%. The completed prefabricated construction projects were approximately 214,402 square meters, representing a decrease of approximately 15.8% YOY.

For the six months ended 30 June 2016, the Group completed 2 residential projects and had 5 residential projects under construction, while for the corresponding period in 2015, the Group completed 2 residential projects and still had 6 residential projects under construction.

In 2015, through our deepened cooperation with 上海城建(集團)公司 (Shanghai Urban Construction (Group) Corp.*) ("Shanghai Urban Construction"), our Group entered the prefabricated construction in Shanghai and experienced a drastic growth in prefabricated construction business segment. In 2016, we target to expand our business to construction of prefabricated component of railways.

Financial Review

Revenue

For the six-month period ended 30 June 2016, the Group's revenue amounted to approximately RMB656,010,000, representing a decrease of approximately RMB86,727,000 or 11.7% as compared with that for the period ended 30 June 2015.

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

	Six months ended 30 June			
	2016		2015	
	RMB'000	***Percentage (%)***	*RMB'000*	*Percentage (%)*
Construction of				
— Steel structure projects	**424,815**	**64.8**	419,420	56.5
— Prefabricated construction projects	**231,195**	**35.2**	323,317	43.5
Total	**656,010**	**100.0**	742,737	100.0

For the six months ended 30 June 2016, revenue from steel structure projects represented approximately 64.8% of the Group's total revenue, while revenue from prefabricated construction projects represented approximately 35.2% of the Group's total revenue. The revenue generated from each of these two principal businesses in proportion to the Group's total revenue was basically similar to that for the corresponding period of last year.

Revenue from steel structure projects increased by approximately 1.3% from approximately RMB419,420,000 for the six-month period ended 30 June 2015 to approximately RMB424,815,000 for the six-month period ended 30 June 2016. On the other hand, revenue from prefabricated construction projects decreased by approximately 28.5% from approximately RMB323,317,000 for the six-month period ended 30 June 2015 to approximately RMB231,195,000 for the six-month period ended 30 June 2016.

Gross profit and gross profit margin

The following table sets out a breakdown of the Group's gross profit and gross profit margin ("GP margin") in terms of steel structure projects and prefabricated construction projects for the six months ended 30 June 2016:

	Six months ended 30 June			
	2016		2015	
	RMB'000	***GP margin (%)***	*RMB'000*	*GP margin (%)*
Construction of				
— Steel structure projects	**93,334**	**22.0**	101,252	24.1
— Prefabricated construction projects	**74,996**	**32.4**	104,758	32.4
Total	**168,330**	**25.7**	206,010	27.7

For the six months ended 30 June 2016, overall GP margin of the Group was approximately 25.7%, representing a decrease of 2.0 percentage point as compared to approximately 27.7% for six months ended 30 June 2015.

GP margin for steel structure projects decreased approximately 2.1 percentage point from approximately 24.1% for the six months ended 30 June 2015 to 22.0% for the six months ended 30 June 2016. The decrease was mainly due to pressure from economic slowdown on the PRC's economic growth and corresponding adjustment on industry profits, which in turn resulted in the decrease of GP margin for the Group's steel structure business.

GP margin for prefabricated construction projects was approximately 32.4% for the six months ended 30 June 2016, which is comparable to the GP margin for prefabricated construction projects for the six months ended 30 June 2015.

Capital structure, liquidity and financial resources

For the six months ended 30 June 2016, the Group's net cash used in operating activities was approximately RMB26.5 million (for the six months ended 30 June 2015: net cash used in operating activities was approximately RMB15.3 million) and the Group's cash and cash equivalents were approximately RMB879.0 million as at 30 June 2016 (as at 31 December 2015: RMB881.4 million).

As at 30 June 2016, the Group had current assets of approximately RMB2,042.3 million (31 December 2015: RMB1,928.5 million) and current liabilities of approximately RMB278.0 million (31 December 2015: RMB247.1 million). The current ratio (which is calculated on the basis of current assets over current liabilities) was approximately 7.3 as at 30 June 2016.

Total equity of the Group as at 30 June 2016 was approximately RMB2,058.9 million (31 December 2015: RMB1,985.0 million). As at 30 June 2016, the Company's issued share capital was HK$203,800,000 (31 December 2015: HK$203,800,000) with 2,038,000,000 shares (31 December 2015: 2,038,000,000 shares) in issue.

Significant investments held

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

Material acquisitions and disposals of subsidiaries and associated companies

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 江蘇晨力環保科技有限公司 (Jiangsu Chenli Eco-technology Company Limited*) (the "Capital Injection"). Currently, the Capital Injection is under due diligence phase. It is expected that the Capital Injection will be completed in the second 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, 31 March 2016, 30 May 2016 and 29 July 2016.

Charge on assets

As at 30 June 2016, the Group did not have any charge on assets.

Gearing ratio

Gearing ratio is calculated based on total debt (including payables incurred not in the ordinary course of business) at the year end divided by equity attributable to owners of the Company at the year end multiplied by 100%. As at 30 June 2016, the gearing ratio of the Group was approximately 3.7% (31 December 2015: 3.8%).

Bank and other borrowings

The Group has outstanding bank and other borrowings of RMB76,920,000 as at 30 June 2016 (31 December 2015: RMB75,402,000).

Foreign exchange exposure

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

Event after the reporting period

There is no major event after reporting period.

Employees

As at 30 June 2016, the Group had approximately 572 employees. The related staff cost (including remuneration of directors in the form of salaries and other benefits) for the six months ended 30 June 2016 was approximately RMB33,284,000 (for six months ended 30 June 2015: RMB42,314,000).

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

Future Prospects

The implementation of OBOR policy in the PRC is still the main focus of the Group's development strategy in the coming years. In 2016, the Group has built a new business partnership with 中國建築工業對外經濟合作公司 (China Building-Materials Industrial Corporation for Foreign Econo-Technical Cooperation*) ("CBMC") and aims to expand its steel structure business in Algeria and neighboring regions.

The Group also strives for expansion in other overseas markets including Australia, Turkey and African countries through cooperation with multi-national corporations.

Through thorough cooperation with large-scaled state-owned enterprises, 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, as well as upholding its product quality and building its brand.

According to the National Plan on New Urbanization (2014–2020) released by the PRC State Council, certain measures will be carried out to increase the level and the quality of the PRC's urbanization in the future, aiming at having the urbanization rate to reach 60% by 2020. Under the effect of increasing domestic demand on social security housing, our management believes that the Group can achieve a steady growth in our prefabricated construction business segment.

In previous years, we have built a mutually beneficial trust business relationship with Shanghai Urban Construction on civil construction projects, including the construction of social security housing, municipal facilities, transportation, and civic engineering. In the coming future, we target to deepen our cooperation and to seize the opportunity in construction of prefabricated parts in the PRC's metro system.

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, central enterprises and multi-national corporations 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.

SHARE OPTIONS

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 selected participants as incentive or rewards for their contribution to the Group. The adoption of the Scheme became unconditional upon the listing of the Company on 1 November 2013. On 30 March 2015, the Company granted 160,000,000 share options to its employees pursuant to the Scheme at an exercise price of HK$0.67 per share. There is no vesting period and the options may be exercised at any time from the date of grant of the share options to the secondary anniversary of the date of grant. The total number of 160,000,000 share options were exercised during the six-month period ended 30 June 2015. Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 20 May 2016, the general scheme limit under the Scheme is re-set at 203,800,000 shares and the Company will be allowed to grant further options under the Scheme carrying the rights to subscribe for a maximum of 203,800,000 Shares. Apart from the Scheme, the Company has no other share option scheme. The Company has no share options outstanding as at 30 June 2016.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions set out in the Corporate Governance Code as set out in the Appendix 14 to the Listing Rules during the six months ended 30 June 2016.

CHANGE IN DIRECTORS' BIOGRAPHICAL DETAILS

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

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company (the "**Audit Committee**") consists of three independent non-executive directors, namely Mr. Xu Jiaming, Mr. Chen Tiegang and Mr. Ma Chun Fung Horace. Mr. Ma Chun Fung Horace is the Chairman of the Audit Committee. The primary duties of the Audit Committee are to review and supervise the financial reporting system, risk management and internal control systems of our Group. The accounting information given in this interim results announcement has not been audited. The Audit Committee has reviewed the unaudited condensed consolidated financial statements for the six months ended 30 June 2016, including the accounting principles and practices adopted by the Group.

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

During the six months ended 30 June 2016, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

DIRECTORS' SECURITIES TRANSACTIONS

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

Specific enquiry has been made with all the directors and the directors have confirmed that they have complied with the Securities Dealing Code throughout the six months ended 30 June 2016. No incident of non-compliance of the Securities Dealing Code by the directors was noted by the Company.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2016.

PUBLICATION OF INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the website of the Company (http://www.chinasaite.com.cn). The interim report of the Company for the six months ended 30 June 2016 will be despatched to the Company's shareholders and published on the Stock Exchange's and the Company's websites in due course.

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

Hong Kong, 26 August 2016

As at the date of this announcement, the executive directors of the Company are Mr. JIANG Jianqiang, Mr. SHAO Xiaoqiang and Mr. XU Fanghua; and the independent non-executive directors are Mr. XU Jiaming, Mr. CHEN Tiegang and Mr. MA Chun Fung Horace.

* *In this announcement, the English names of the PRC entities are translation of their Chinese names and included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.*