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## **CHIA TAI ENTERPRISES INTERNATIONAL LIMITED**

**正大企業國際有限公司**

*(Incorporated in Bermuda with limited liability)*

*(Stock Code: 3839)*

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016**

#### **CONSOLIDATED RESULTS**

The board of directors (the “Board”) of Chia Tai Enterprises International Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2016 as follows:

#### **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

		<b>Year ended 31 December</b>	
		<b>2016</b>	<b>2015</b>
	<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>REVENUE</b>	4	<b>87,276</b>	101,767
Cost of sales		<u>(56,057)</u>	<u>(67,807)</u>
Gross profit		<b>31,219</b>	33,960
Other income, net	5	<b>2,222</b>	1,984
Selling and distribution costs		<b>(6,483)</b>	(6,713)
General and administrative expenses		<b>(17,817)</b>	(17,467)
Finance costs		<b>(566)</b>	(921)
Share of profits and losses of:			
Joint venture		<b>2,849</b>	1,229
Associate		<b>2,198</b>	2,966
		<u>13,622</u>	<u>15,038</u>
<b>PROFIT BEFORE TAX</b>	6	<b>13,622</b>	15,038
Income tax	7	<b>(2,563)</b>	(3,368)
		<u>11,059</u>	<u>11,670</u>
<b>PROFIT FOR THE YEAR</b>		<b>11,059</b>	11,670

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME** *(Continued)*

	<b>Year ended 31 December</b>	
	<b>2016</b>	<b>2015</b>
<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>PROFIT FOR THE YEAR</b>	<b>11,059</b>	11,670
<b>OTHER COMPREHENSIVE INCOME</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(4,289)	(2,902)
Share of other comprehensive income of:		
Joint venture	(4,243)	(3,230)
Associate	(1,193)	(814)
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>(9,725)</u>	<u>(6,946)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u><u>1,334</u></u>	<u><u>4,724</u></u>
<b>Profit attributable to:</b>		
Shareholders of the Company	8,058	8,182
Non-controlling interests	3,001	3,488
	<u><u>11,059</u></u>	<u><u>11,670</u></u>
<b>Total comprehensive income attributable to:</b>		
Shareholders of the Company	(298)	2,133
Non-controlling interests	1,632	2,591
	<u><u>1,334</u></u>	<u><u>4,724</u></u>
	<i>US cents</i>	<i>US cents</i>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b>		
	9	
Basic and diluted	<u><u>3.18</u></u>	<u><u>3.46</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		<b>At 31 December</b>	
		<b>2016</b>	<b>2015</b>
		<i>US\$'000</i>	<i>US\$'000</i>
	<i>Note</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>43,888</b>	48,555
Land lease prepayments		<b>7,716</b>	2,918
Investments in joint venture		<b>59,848</b>	68,443
Investments in associate		<b>17,460</b>	16,455
Other non-current assets		<b>236</b>	5,094
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>129,148</b>	141,465
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Inventories		<b>9,667</b>	15,638
Trade and bills receivables	10	<b>16,027</b>	15,781
Prepayments, deposits and other receivables		<b>8,079</b>	8,036
Time deposits with maturity over three months		<b>2,880</b>	–
Cash and cash equivalents		<b>34,242</b>	18,052
		<hr/>	<hr/>
<b>Total current assets</b>		<b>70,895</b>	57,507
		<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>			
Trade payables	11	<b>3,484</b>	3,084
Other payables and accruals		<b>8,221</b>	6,169
Bank borrowings		<b>8,275</b>	15,523
Income tax payables		<b>403</b>	103
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>20,383</b>	24,879
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>50,512</b>	32,628
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>179,660</b>	174,093
		<hr/>	<hr/>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)**

		<b>At 31 December</b>	
		<b>2016</b>	<b>2015</b>
	<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings		–	1,155
Other non-current liabilities		<b>8,000</b>	2,521
Deferred tax liabilities		<b>2,925</b>	2,299
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>10,925</b>	<b>5,975</b>
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>168,735</b>	<b>168,118</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
<b>Equity attributable to shareholders of the Company</b>			
Issued capital	12	<b>25,333</b>	25,333
Reserves		<b>123,183</b>	123,481
		<hr/>	<hr/>
		<b>148,516</b>	148,814
<b>Non-controlling interests</b>		<b>20,219</b>	19,304
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>168,735</b>	<b>168,118</b>
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## NOTES

### 1. BASIS OF PREPARATION

These financial information have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) (which include all International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations) issued by the International Accounting Standards Board (“IASB”). These financial information are presented in United States dollars (“US\$”) and all values are rounded to the nearest thousand (“US\$’000”) except when otherwise indicated.

### 2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The IASB has issued a number of amendments to IFRSs that are first effective for the current year. Of these, the following amendments may be relevant to the Group:

Amendments to IFRS 10, IFRS 12 and IAS 28	Amendments to IFRS 10 <i>Consolidated Financial Statements</i> , IFRS 12 <i>Disclosure of Interests in Other Entities</i> and IAS 28 <i>Investments in Associates and Joint Ventures – Investment entities: Applying the consolidation exception</i>
Amendments to IFRS 11	Amendments to IFRS 11 <i>Joint Arrangements – Accounting for acquisitions of interests in joint operations</i>
Amendments to IAS 1	Amendments to IAS 1 <i>Presentation of Financial Statements – Disclosure initiative</i>
Amendments to IAS 16 and IAS 38	Amendments to IAS 16 <i>Property, Plant and Equipment</i> and IAS 38 <i>Intangible Assets – Clarification of acceptable methods of depreciation and amortisation</i>
Annual Improvements to IFRSs 2012-2014 cycle	Amendments to a number of IFRSs

The adoption of these amendments to IFRSs has had no significant financial effect on these financial information.

The Group has not applied any new standard or interpretation that is not yet effective for the current year.

### 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

- the biochemical segment is engaged in the manufacture and sale of chlortetracycline products; and
- the industrial segment is engaged in trading of machinery and the manufacture and sale of automotive parts, through the Group’s joint venture and associate.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group’s profit before tax except that bank interest income, finance costs and items not specifically attributed to individual segments, such as head office or corporate administration expenses are excluded from such measurements.

### 3. OPERATING SEGMENT INFORMATION *(Continued)*

Segment assets exclude unallocated corporate assets. Unallocated corporate assets include time deposits, cash and cash equivalents, income tax recoverable and other assets that are managed on a group basis.

Segment liabilities exclude unallocated corporate liabilities. Unallocated corporate liabilities include bank borrowings, income tax payables and deferred tax liabilities and other liabilities that are managed on a group basis.

#### (a) Reportable operating segments

The following tables present revenue, profit or loss and certain assets, liabilities and expenditure information for the Group's reportable operating segments for the years ended 31 December 2016 and 2015.

#### Year ended 31 December 2016

	<b>Biochemical operations US\$'000</b>	<b>Industrial operations US\$'000</b>	<b>Total US\$'000</b>
<b>Segment revenue</b>			
Sales to external customers	<u>87,276</u>	<u>–</u>	<u>87,276</u>
<b>Segment results</b>			
The Group	11,740	(1,580)	10,160
Share of profits and losses of:			
Joint venture	–	2,849	2,849
Associate	<u>–</u>	<u>2,198</u>	<u>2,198</u>
	<u>11,740</u>	<u>3,467</u>	15,207
Reconciliation:			
Bank interest income			165
Finance costs			(566)
Unallocated head office and corporate expenses			<u>(1,184)</u>
Profit before tax			<u>13,622</u>
<b>Other segment information</b>			
Depreciation and amortisation	5,502	8	5,510
Capital expenditure*	4,181	–	4,181
Addition of other non-current assets	<u>447</u>	<u>–</u>	<u>447</u>

\* Including additions to property, plant and equipment and land lease prepayments.

3. OPERATING SEGMENT INFORMATION (Continued)

(a) Reportable operating segments (Continued)

At 31 December 2016

	<b>Biochemical operations US\$'000</b>	<b>Industrial operations US\$'000</b>	<b>Total US\$'000</b>
<b>Segment assets</b>	<b>80,627</b>	<b>82,256</b>	<b>162,883</b>
Reconciliation: Unallocated corporate assets			<b>37,160</b>
Total assets			<b>200,043</b>
<b>Segment liabilities</b>	<b>19,498</b>	<b>9</b>	<b>19,507</b>
Reconciliation: Unallocated corporate liabilities			<b>11,801</b>
Total liabilities			<b>31,308</b>
<b>Other segment information</b>			
Investments in joint venture	–	<b>59,848</b>	<b>59,848</b>
Investments in associate	–	<b>17,460</b>	<b>17,460</b>

**3. OPERATING SEGMENT INFORMATION** *(Continued)*

**(a) Reportable operating segments** *(Continued)*

**Year ended 31 December 2015**

	Biochemical operations <i>US\$'000</i>	Industrial operations <i>US\$'000</i>	Total <i>US\$'000</i>
<b>Segment revenue</b>			
Sales to external customers	101,767	–	101,767
<b>Segment results</b>			
The Group	14,461	(1,794)	12,667
Share of profits and losses of:			
Joint venture	–	1,229	1,229
Associate	–	2,966	2,966
	<u>14,461</u>	<u>2,401</u>	16,862
Reconciliation:			
Bank interest income			17
Finance costs			(921)
Unallocated head office and corporate expenses			<u>(920)</u>
Profit before tax			<u>15,038</u>
<b>Other segment information</b>			
Depreciation and amortisation	5,420	18	5,438
Capital expenditure*	4,560	–	4,560

\* Including additions to property, plant and equipment.

### 3. OPERATING SEGMENT INFORMATION (Continued)

#### (a) Reportable operating segments (Continued)

At 31 December 2015

	Biochemical operations <i>US\$'000</i>	Industrial operations <i>US\$'000</i>	Total <i>US\$'000</i>
<b>Segment assets</b>	<u>90,311</u>	<u>90,185</u>	180,496
Reconciliation:			
Unallocated corporate assets			<u>18,476</u>
Total assets			<u>198,972</u>
<b>Segment liabilities</b>	<u>11,721</u>	<u>17</u>	11,738
Reconciliation:			
Unallocated corporate liabilities			<u>19,116</u>
Total liabilities			<u>30,854</u>
<b>Other segment information</b>			
Investments in joint venture	–	68,443	68,443
Investments in associate	<u>–</u>	<u>16,455</u>	<u>16,455</u>

### 3. OPERATING SEGMENT INFORMATION *(Continued)*

#### (b) Geographical information

##### (i) Revenue from external customers

	Year ended 31 December	
	2016 US\$'000	2015 US\$'000
Mainland China	28,538	22,545
United States of America	13,914	27,572
Asia Pacific (excluding mainland China)*	26,583	26,436
Europe	8,338	8,882
Elsewhere	9,903	16,332
	<u>87,276</u>	<u>101,767</u>

\* Including revenue from Socialist Republic of Vietnam of US\$10,154,000 (2015: US\$9,929,000).

The revenue information shown above is based on the location of customers.

##### (ii) Non-current assets

At 31 December 2016, 99% (2015: 99%) of the Group's non-current assets are located in mainland China.

### 4. REVENUE

Revenue, which is also the Group's turnover, represents the aggregate of the invoiced value of goods sold, net of value-added tax and government surcharges, and after allowances for goods returned and trade discounts. All of the Group's revenue is from the biochemical segment.

### 5. OTHER INCOME, NET

An analysis of other income, net is as follows:

	Year ended 31 December	
	2016 US\$'000	2015 US\$'000
Bank interest income	165	17
Government grants	614	403
(Loss)/gain on disposal of property, plant and equipment, net	(31)	30
Foreign exchange differences, net	470	1,172
Net income from sale of testing products	747	101
Others	257	261
	<u>2,222</u>	<u>1,984</u>

## 6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Year ended 31 December	
	2016 US\$'000	2015 US\$'000
Cost of inventories sold	56,037	67,759
Write down of inventories	20	48
Depreciation of property, plant and equipment	5,352	5,394
Amortisation of land lease prepayments	158	44
Loss/(gain) on disposal of property, plant and equipment, net	31	(30)
Foreign exchange differences, net	(470)	(1,172)
	<u>56,037</u>	<u>67,759</u>

## 7. INCOME TAX

No provision for Hong Kong profits tax has been made for the year as the Group did not generate any assessable profits in Hong Kong during the year (2015: nil).

The subsidiaries operating in the People's Republic of China ("PRC") are subject to income tax at the rate of 25% (2015: 25%) on their taxable income according to the PRC corporate income tax laws. In accordance with the relevant tax rules and regulations in the PRC, certain subsidiaries of the Group in the PRC enjoy income tax exemptions or reductions.

	Year ended 31 December	
	2016 US\$'000	2015 US\$'000
Current – the PRC		
Charge for the year	1,931	3,385
Under-provision in prior years	6	124
Deferred	626	(141)
	<u>2,563</u>	<u>3,368</u>
Total tax expense for the year	<u>2,563</u>	<u>3,368</u>

## 8. DIVIDEND

The board of directors of the Company has resolved not to declare a dividend for the year ended 31 December 2016 (2015: nil).

## 9. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the year attributable to shareholders of the Company and the weighted average number of ordinary shares and convertible preference shares in issue during the year.

The calculation of basic earnings per share is based on the following data:

	Year ended 31 December	
	2016	2015
	US\$'000	US\$'000
<b>Earnings</b>		
Profit for the year attributable to shareholders of the Company, used in the basic earnings per share calculation	<b>8,058</b>	8,182
	<b>Year ended 31 December</b>	
	<b>2016</b>	2015
<b>Number of ordinary shares and convertible preference shares</b>		
Issued ordinary shares and convertible preference shares at 1 January	<b>253,329,087</b>	11,952,000
Effect of ordinary shares issued by way of capitalisation of the consideration payable by the Company to CPP pursuant to the reorganisation	–	153,169,499
Effect of ordinary shares issued by way of capitalisation of the remaining amount due to CPP on 29 June 2015	–	17,797,047
Effect of ordinary shares and convertible preference shares issued by way of capitalisation out of the retained earnings	–	53,283,275
Adjusted weighted average number of ordinary shares and convertible preference shares in issue during the year, used in the basic earnings per share calculation	<b>253,329,087</b>	236,201,821

As there were no potential dilutive ordinary shares during the year ended 31 December 2016 and 2015, the amount of diluted earnings per share is equal to basic earnings per share.

## 10. TRADE AND BILLS RECEIVABLES

Depending on the requirements of the market and business, the Group may extend credit to its customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management and interest may be charged by the Group for overdue trade receivable balances at rates determined by the Group with reference to market practice. In the opinion of the directors, there is no significant concentration of credit risk. An aging analysis of the Group's trade and bills receivables, based on the date of delivery of goods, is as follows:

	At 31 December	
	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
60 days or below	12,570	13,439
61 to 180 days	3,370	2,325
Over 180 days	87	17
	<u>16,027</u>	<u>15,781</u>

## 11. TRADE PAYABLES

An aging analysis of the Group's trade payables as at the end of the reporting period, based on the date of receipt of goods, is as follows:

	At 31 December	
	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
60 days or below	3,350	2,995
61 to 180 days	126	39
181 to 360 days	5	20
Over 360 days	3	30
	<u>3,484</u>	<u>3,084</u>

## 12. SHARE CAPITAL

	At 31 December	
	2016	2015
	US\$'000	US\$'000
<b>Authorised</b>		
<i>Ordinary shares:</i>		
787,389,223 shares (2015: 787,389,223 shares) of US\$0.1 each	78,739	78,739
<i>Convertible preference shares:</i>		
12,610,777 shares (2015: 12,610,777 shares) of US\$0.1 each	1,261	1,261
	<u>80,000</u>	<u>80,000</u>
<b>Issued and fully paid</b>		
<i>Ordinary shares:</i>		
240,718,310 shares (2015: 240,718,310 shares) of US\$0.1 each	24,072	24,072
<i>Convertible preference shares:</i>		
12,610,777 shares (2015: 12,610,777 shares) of US\$0.1 each	1,261	1,261
	<u>25,333</u>	<u>25,333</u>

There were no movements in the Company's issued ordinary shares and convertible preference shares during the year ended 31 December 2016.

## 12. SHARE CAPITAL *(Continued)*

### *Notes:*

The convertible preference shares are convertible into ordinary shares of the Company and are entitled to the same dividends that are declared for the ordinary shares. Convertible preference shares do not carry the right to vote in shareholders' meetings. Upon winding up, the Company's residual assets and funds are distributed to the members of the Company in the following priority:

- (i) in paying to the holders of the convertible preference shares, *pari passu* as between themselves by reference to the aggregate nominal amounts of the convertible preference shares held by them respectively, an amount equal to the aggregate of the distribution value (as defined in the bye-law of the Company) of all the convertible preference shares held by them respectively;
- (ii) the balance of such assets shall be distributed on a *pari passu* basis among the holders of any class of shares in the capital of the Company other than the convertible preference shares and other than any shares which are not entitled to participate in such assets, by reference to the aggregate nominal amounts paid up on the shares held by them respectively; and
- (iii) the remaining balance of such assets shall belong to and be distributed on a *pari passu* basis among the holders of any class of shares including the convertible preference shares, other than any shares not entitled to participate in such assets, by reference to the aggregate nominal amounts of shares held by them respectively.

The convertible preference shares shall be non-redeemable by the Company or the holders thereof.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **GROUP RESULTS**

The Group has two lines of businesses: biochemical business and industrial business. The biochemical business, which focuses on the manufacture and sale of CTC products and is carried on by Group subsidiaries, accounting for all of the Group's consolidated revenue. The Group's industrial business comprises the Group's interest in its joint venture ECI Metro Investment Co., Ltd. and its subsidiaries ("ECI Metro"), and the Group's interest in its associate Zhanjiang Deni Vehicle Parts Co., Ltd. and its subsidiaries ("Zhanjiang Deni"). The results of the Group's industrial business is incorporated in the consolidated statement of comprehensive income as share of profits from joint venture and associate.

For the year ended 31 December 2016, the Group's revenue decreased 14.2% to US\$87.28 million (2015: US\$101.77 million). Overall, gross profit margin was 35.8%, compared to 33.4% in 2015. Profit attributable to shareholders of the Group was US\$8.06 million (2015: US\$8.18 million), a 1.5% decline compared to 2015.

Basic and diluted earnings per share were both US 3.18 cents (2015: US 3.46 cents). The board has resolved not to declare a final dividend for the year ended 31 December 2016 (2015: Nil).

### **BUSINESS REVIEW**

#### **Biochemical**

The Group is one of the leading CTC producers globally. We generate revenue from the manufacture and sale of CTC products. The two main products of the Group are CTC Premix and CTC HCL. CTC products are used as feed additives to promote healthy growth of livestock, prevent or cure animal diseases and improve overall feed efficiency.

CTC products sold by the Group are marketed mainly under the Group's own brands "Shihao" and "Citifac." The Group's CTC products are sold and distributed globally, including in the United States of America, China and Southeast Asia. The Group's overseas customers include feed mills, pharmaceutical companies and trading companies, whereas customers in China are mainly feed mills.

The Group currently has two CTC production plants in China, one located in Pucheng (which produces CTC Premix and CTC HCL) and one located in Zhumadian (which produces CTC Premix). Raw materials are generally sourced locally.

The Group's biochemical revenue decreased 14.2% to US\$87.28 million (2015: US\$101.77 million). Of this, revenue contribution from China, United States of America, Asia Pacific (excluding China), Europe and elsewhere were 32.7%, 15.9%, 30.5%, 9.6% and 11.3%, respectively.

For the year under review, overseas market sales were mainly affected by the decrease in sales to a large customer. As disclosed in the interim results announcement for the six months ended 30 June 2016 dated 10 August 2016, decline in overall revenue was mainly due to decrease in CTC sales to a large customer from approximately US\$16.7 million in the first half of 2015 to US\$6.4 million in the first half of 2016. The situation continued into the second half of 2016, with sales to this large customer reduced from approximately US\$10.4 million in the second half of 2015 to approximately US\$6.9 million in the second half of 2016. Sales reduction to this customer was mainly due to a change in its ownership. Moreover, the Group was also facing increased pressure in overseas markets from a major competitor who is pricing aggressively.

In China, the overall CTC market was better than last year with an increase in demand from large-scale farms as swine prices were significantly higher compared to 2015. However, with the entry of a number of new players in 2015, competition remained intense in China. Leveraging on the better industry environment, the Group actively expanded its customer base in China to soften the impact from the overseas segment.

As a result of increased competition and lower raw materials prices, overall average selling prices of CTC products were lower than last year. In 2016, average selling prices of CTC premix reduced by approximately 12.4% when compared to 2015, and the average selling prices of CTC HCL reduced by approximately 9.2%.

Gross profit margin increased to 35.8% in 2016 from 33.4% in 2015, as lower raw materials prices and improved production efficiency offset reduction in average selling prices.

## **Industrial**

The Group's industrial business is conducted through ECI Metro and Zhanjiang Deni.

The Group holds a 50% equity interest in ECI Metro Investment Co., Ltd. ECI Metro is principally engaged in the sale, leasing and servicing of Caterpillar machinery equipment. ECI Metro is one of the four Caterpillar dealers in China. Its service territory covers the western part of China, namely Yunnan, Guizhou, Sichuan, Shaanxi, Gansu and Qinghai provinces, Ningxia Hui Autonomous Region, Tibet Autonomous Region and Chongqing municipality. Caterpillar is the world's leading manufacturer of earthmoving and construction equipment. Key customers include those engaged in the mining, railroad and road construction and other infrastructure construction industries.

According to the National Bureau of Statistics of the PRC, China's gross domestic product in 2016 registered a year-on-year growth of 6.7%, compared to 6.9% in 2015. Meanwhile, despite that fixed-asset investment growth in China slowed down from 10.0% in 2015 to 8.1% in 2016, fixed-asset investment growth in the western part of China picked up from 9.0% to 12.2%. The increase in infrastructure build-outs at ECI Metro's operating region increased demand for excavators. However, there were delays in mining projects as commodity prices were generally low in the first half of the year and only started to recover in the second half of 2016. In the year ended 31 December 2016, our share of profits of joint venture amounted to US\$2.85 million compared to US\$1.23 million last year.

The Group holds a 28% equity interest in Zhanjiang Deni Vehicle Parts Co. Ltd. Zhanjiang Deni is principally engaged in the manufacture and sale of automotive parts, which are mainly sold to automobile and motorcycle manufacturers. According to the China Association of Automobile Manufacturers, motorcycle sales declined by 10.8% year-on-year while total automobile sales growth was 13.7% in 2016. In 2016, our share of profits of associate was US\$2.20 million compared to US\$2.97 million in 2015.

## **OUTLOOK**

Looking forward, for the biochemical business, intense competition in the CTC industry is unlikely to ease and may continue to put pressure on pricing and consequently profit. As for the Group's industrial business in China, moderating economic growth may soften the pace of infrastructure build-outs in China affecting ECI Metro's business. For Zhanjiang Deni's business, motorcycle sales are still weak and automobile sales growth may slow down in 2017 as tax incentives for potential buyers rolled back in 2017. Overall, the Group remains cautious for 2017.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2016, the Group had total assets of US\$200.0 million, an increase of 0.5% as compared to US\$199.0 million as at 31 December 2015.

As at 31 December 2016, the Group had net cash, being cash and deposits less bank borrowings, of US\$28.8 million (31 December 2015: US\$1.4 million).

All the borrowings of the Group are denominated in Renminbi as at 31 December 2016 and 2015.

As at 31 December 2016, the Group's fixed interest rate bank borrowings amounted to US\$4.3 million (31 December 2015: US\$11.2 million).

All domestic sales in mainland China are transacted in RMB and export sales are transacted in foreign currencies. The Group monitors exchange rate movements and determines appropriate hedging activities when necessary.

## **CAPITAL STRUCTURE**

The Group finances its working capital requirements through a combination of funds generated from operations and borrowings. The Group had time deposits and cash and cash equivalents of US\$37.1 million as at 31 December 2016, an increase of US\$19.0 million compared to US\$18.1 million as at 31 December 2015.

## **CHARGES ON GROUP ASSETS**

As at 31 December 2016, out of the total borrowings of US\$8.3 million (31 December 2015: US\$16.7 million) obtained by the Group, US\$4.0 million (31 December 2015: US\$5.4 million) was secured and accounted for 48% (31 December 2015: 32%) of the total borrowings. Certain of the Group's property, plant and equipment and land lease prepayments with an aggregate net book value of US\$3.1 million (31 December 2015: US\$4.1 million) were pledged as security.

## **CONTINGENT LIABILITIES**

As at 31 December 2016, the Group did not have any significant contingent liabilities.

## **EMPLOYEE AND REMUNERATION POLICIES**

As at 31 December 2016, the Group employed around 800 staff in the PRC and Hong Kong. The Group remunerates its employees based on their performance, experience and prevailing market rates while performance bonuses are granted on a discretionary basis. Other employee benefits include, for example, medical insurance and training.

## **DIVIDEND**

The Board has resolved not to declare a dividend for the year ended 31 December 2016 (2015: nil).

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 7 June 2017 to 8 June 2017, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to ascertain shareholders' eligibility to attend and vote at the forthcoming annual general meeting of the Company to be held on 8 June 2017, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration before 4:30 p.m. on 6 June 2017.

## **CORPORATE GOVERNANCE CODE**

The Company is committed to maintaining a high standard of corporate governance, the principles of which are to uphold a high standard of ethics, transparency, accountability and integrity in all aspects of business and to ensure that affairs are conducted in accordance with applicable laws and regulations.

In the opinion of the Board, the Company has applied the principles and complied with all the code provisions prescribed in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the year ended 31 December 2016 except that the Chairman did not attend the annual general meeting held on 7 June 2016 due to another business engagement, which deviated from code provision E.1.2.

## **DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding directors’ securities transactions (the “Code of Conduct for Securities Transactions”) which is based on the required standards set out in Appendix 10 to the Listing Rules – Model Code for Securities Transactions by Directors of Listed Issuers. Having made specific enquiries with each of the directors of the Company, all of them have confirmed that they complied with the required standard set out in the Code of Conduct for Securities Transactions during the year ended 31 December 2016.

## **REVIEW OF ANNUAL RESULTS**

The audit committee of the Company has reviewed the consolidated results of the Group for the year ended 31 December 2016.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2016.

By Order of the Board  
**Thanakorn Seriburi**  
*Director*

Hong Kong, 24 February 2017

*As at the date of this announcement, the chairman and non-executive director is Mr. Soopakij Chearavanont; the executive directors are Mr. Thirayut Phityaisarakul, Mr. Thanakorn Seriburi, Mr. Nopadol Chiaravanont and Mr. Yao Minpu; the non-executive director is Mr. Yoichi Ikezoe; and the independent non-executive directors are Mr. Surasak Rounroengrom, Mr. Cheng Yuk Wo and Mr. Ko Ming Tung, Edward.*