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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 2015

CONSOLIDATED RESULTS

The board of directors (the “Board”) of Chia Tai Enterprises International Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2015	2014
	<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
REVENUE	4	101,767	117,131
Cost of sales		<u>(67,807)</u>	<u>(79,445)</u>
Gross profit		33,960	37,686
Other income, net	5	1,984	1,106
Selling and distribution costs		(6,713)	(7,280)
General and administrative expenses		(17,467)	(22,772)
Finance costs		(921)	(1,200)
Share of profits and losses of:			
Joint venture		1,229	11,640
Associate		2,966	8,646
		<u>15,038</u>	<u>27,826</u>
PROFIT BEFORE TAX	6	15,038	27,826
Income tax	7	(3,368)	(4,226)
		<u>11,670</u>	<u>23,600</u>
PROFIT FOR THE YEAR		11,670	23,600

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (*Continued*)

	Year ended 31 December	
	2015	2014
<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
PROFIT FOR THE YEAR	11,670	23,600
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(2,902)	(865)
Share of other comprehensive income of:		
Joint venture	(3,230)	(1,127)
Associate	(814)	(260)
Deregistration of a subsidiary	–	(225)
	<hr/>	<hr/>
OTHER COMPREHENSIVE INCOME FOR THE YEAR	(6,946)	(2,477)
	<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	4,724	21,123
	<hr/> <hr/>	<hr/> <hr/>
Profit attributable to:		
Shareholders of the Company	8,182	19,430
Non-controlling interests	3,488	4,170
	<hr/>	<hr/>
	11,670	23,600
	<hr/> <hr/>	<hr/> <hr/>
Total comprehensive income attributable to:		
Shareholders of the Company	2,133	17,179
Non-controlling interests	2,591	3,944
	<hr/>	<hr/>
	4,724	21,123
	<hr/> <hr/>	<hr/> <hr/>
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	9	
	<i>US cents</i>	<i>US cents</i>
– Basic and diluted	3.46	8.90
	<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December	
		2015	2014
		US\$'000	US\$'000
	<i>Note</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		48,555	51,834
Land lease prepayments		2,918	1,038
Investments in joint venture		68,443	70,444
Investments in associate		16,455	19,013
Other non-current assets		5,094	7,469
		141,465	149,798
CURRENT ASSETS			
Inventories		15,638	14,928
Trade and bills receivables	10	15,781	18,788
Prepayments, deposits and other receivables		8,036	6,337
Cash and cash equivalents		18,052	16,985
		57,507	57,038
CURRENT LIABILITIES			
Trade payables	11	3,084	4,884
Other payables and accruals		6,169	10,195
Bank borrowings		15,523	15,855
Income tax payables		103	273
		24,879	31,207
NET CURRENT ASSETS		32,628	25,831
TOTAL ASSETS LESS CURRENT LIABILITIES		174,093	175,629

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

		At 31 December	
		2015	2014
	<i>Note</i>	US\$'000	<i>US\$'000</i>
NON-CURRENT LIABILITIES			
Bank borrowings		1,155	2,417
Other non-current liabilities		2,521	2,819
Deferred tax liabilities		2,299	2,441
		<hr/>	<hr/>
Total non-current liabilities		5,975	7,677
		<hr/>	<hr/>
NET ASSETS		168,118	167,952
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	12	25,333	1,195
Reserves		123,481	146,477
		<hr/>	<hr/>
		148,814	147,672
Non-controlling interests		19,304	20,280
		<hr/>	<hr/>
TOTAL EQUITY		168,118	167,952
		<hr/> <hr/>	<hr/> <hr/>

NOTES

1. BASIS OF PREPARATION

These financial statements 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. These financial statements 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 Group has adopted the following amendments to IFRSs for the first time for the current year’s financial statements:

Amendments to IAS 19	Amendments to IAS 19 <i>Employee benefits:</i> <i>Defined benefit plans: Employee contributions</i>
Annual Improvements to IFRSs 2010-2012 Cycle	Amendments to a number of IFRSs
Annual Improvements to IFRSs 2011-2013 Cycle	Amendments to a number of IFRSs

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

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.

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 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.

As a result of the change in the structure of the Group's internal organisation, the composition of the Group's reportable segments has been changed. Certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amount in respect of items disclosed in current year.

(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 2015 and 2014.

Year ended 31 December 2015

	Biochemical operations <i>US\$'000</i>	Industrial operations <i>US\$'000</i>	Total <i>US\$'000</i>
Segment revenue			
Sales to external customers	<u>101,767</u>	<u>–</u>	<u>101,767</u>
Segment results			
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>	<u>16,862</u>
Reconciliation:			
Bank interest income			17
Finance costs			(921)
Unallocated head office and corporate expenses			<u>(920)</u>
Profit before tax			<u>15,038</u>
Other segment information			
Depreciation and amortisation	5,420	18	5,438
Capital expenditure*	<u>4,560</u>	<u>–</u>	<u>4,560</u>

* Including additions to property, plant and equipment.

3. OPERATING SEGMENT INFORMATION (Continued)

(a) Reportable operating segments (Continued)

At 31 December 2015

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

3. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Reportable operating segments *(Continued)*

Year ended 31 December 2014

	Biochemical operations <i>US\$'000</i> (Restated)	Industrial operations <i>US\$'000</i> (Restated)	Total <i>US\$'000</i> (Restated)
Segment revenue			
Sales to external customers	117,131	–	117,131
Segment results			
The Group	16,962	(2,149)	14,813
Share of profits and losses of:			
Joint venture	–	11,640	11,640
Associate	–	8,646	8,646
	<u>16,962</u>	<u>18,137</u>	35,099
Reconciliation:			
Bank interest income			55
Finance costs			(1,200)
Unallocated head office and corporate expenses			<u>(6,128)</u>
Profit before tax			<u>27,826</u>
Other segment information			
Depreciation and amortisation	5,450	21	5,471
Capital expenditure*	<u>4,941</u>	<u>1</u>	<u>4,942</u>

* Including additions to property, plant and equipment.

3. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Reportable operating segments *(Continued)*

At 31 December 2014

	Biochemical operations <i>US\$'000</i> (Restated)	Industrial operations <i>US\$'000</i> (Restated)	Total <i>US\$'000</i> (Restated)
Segment assets	<u>96,697</u>	<u>92,413</u>	189,110
Reconciliation:			
Unallocated corporate assets			<u>17,726</u>
Total assets			<u>206,836</u>
Segment liabilities	<u>15,336</u>	<u>–</u>	15,336
Reconciliation:			
Unallocated corporate liabilities			<u>23,548</u>
Total liabilities			<u>38,884</u>
Other segment information			
Investments in joint venture	–	70,444	70,444
Investments in associate	<u>–</u>	<u>19,013</u>	<u>19,013</u>

(b) Geographical information

(i) Revenue from external customers

	Year ended 31 December	
	2015	2014
	<i>US\$'000</i>	<i>US\$'000</i>
Mainland China	22,545	37,473
United States of America	27,572	26,720
Asia Pacific (excluding mainland China)	26,436	24,046
Europe	8,882	5,050
Elsewhere	16,332	23,842
	<u>101,767</u>	<u>117,131</u>

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

(ii) Non-current assets

At 31 December 2015, 99% (2014: 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	
	2015	2014
	US\$'000	US\$'000
Bank interest income	17	55
Other interest income	–	28
Government grants	403	500
Gain/(loss) on disposal of property, plant and equipment, net	30	(151)
Gain on deregistration of a subsidiary	–	225
Foreign exchange differences, net	1,172	–
Others	362	449
	<u>1,984</u>	<u>1,106</u>

6. PROFIT BEFORE TAX

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

	Year ended 31 December	
	2015	2014
	US\$'000	US\$'000
Cost of inventories sold	67,759	79,136
Write down of inventories	48	309
Depreciation of property, plant and equipment	5,394	5,437
Amortisation of land lease prepayments	44	34
(Gain)/loss on disposal of property, plant and equipment, net	(30)	151
Foreign exchange differences, net	(1,172)	371
	<u>(1,172)</u>	<u>371</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 (2014: nil).

The subsidiaries operating in mainland China are subject to income tax at the rate of 25% (2014: 25%) on their taxable income according to the People's Republic of China ("PRC") corporate income tax laws during the year. In accordance with the relevant tax rules and regulations in the PRC, certain subsidiaries of the Group in the PRC enjoy various income tax exemptions or reductions.

	Year ended 31 December	
	2015	2014
	US\$'000	US\$'000
Current – mainland China		
Charge for the year	3,385	4,771
Under-provision in prior years	124	10
Deferred	(141)	(555)
	<hr/>	<hr/>
Total tax expense for the year	3,368	4,226
	<hr/> <hr/>	<hr/> <hr/>

8. DIVIDEND

The Board of Directors has resolved not to declare dividend for the year ended 31 December 2015 (2014: nil).

Pursuant to a group reorganisation completed on 11 June 2015 (the "Reorganisation") in preparation for the listing of the Company's ordinary shares on the Main Board of The Stock Exchange Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of all of its subsidiaries. The Company's ordinary shares were listed on the Stock Exchange on 3 July 2015. Details of the Reorganisation are set out under the section headed "History and Corporate Structure" in the listing document of the Company dated 17 June 2015. Prior to the Reorganisation, on 30 April 2015, Chia Tai Huazhong Biochemistry Limited and Chia Tai Pucheng Biochemistry Limited, the then directly-owned subsidiaries of C.P. Pokphand Co. Ltd. ("CPP") declared interim dividends for the year ended 31 December 2015 of US\$2,010,000 (2014: US\$5,770,000) and US\$2,161,000 (2014: US\$4,043,000) respectively to CPP. The dividend per share and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

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	
	2015	2014
	<i>US\$'000</i>	<i>US\$'000</i>
Earnings		
Profit for the year attributable to shareholders of the Company, used in the basic earnings per share calculation	8,182	19,430
	Year ended 31 December	2015
	2015	2014
Number of ordinary shares and convertible preference shares		
Issued ordinary shares at 1 January	11,952,000	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	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	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	236,201,821	218,404,774

As there were no potential dilutive ordinary shares during the year ended 31 December 2015 and 2014, the amount of diluted earnings per share is equal to basic earnings per share.

10. TRADE AND BILLS RECEIVABLES

The Group normally grants to its customers a credit period of up to 60 days, depending on the requirements of the markets and the businesses. 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 rates. 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	
	2015 US\$'000	2014 US\$'000
60 days or below	13,439	13,907
61 to 180 days	2,325	4,868
Over 180 days	17	13
	<u>15,781</u>	<u>18,788</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	
	2015 US\$'000	2014 US\$'000
60 days or below	2,995	4,770
61 to 180 days	39	112
181 to 360 days	20	1
Over 360 days	30	1
	<u>3,084</u>	<u>4,884</u>

12. SHARE CAPITAL

		At 31 December	
		2015	2014
	<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
Authorised			
<i>Ordinary shares:</i>			
787,389,223 shares (2014: 19,426,000 shares) of US\$0.1 each	(b)	78,739	1,943
<i>Convertible preference shares:</i>			
12,610,777 shares (2014: nil) of US\$0.1 each	(a), (b)	<u>1,261</u>	—
		80,000	<u>1,943</u>
Issued and fully paid			
<i>Ordinary shares:</i>			
240,718,310 shares (2014: 11,952,000 shares) of US\$0.1 each	(c)	24,072	1,195
<i>Convertible preference shares:</i>			
12,610,777 shares (2014: nil) of US\$0.1 each	(c)	<u>1,261</u>	—
		25,333	<u>1,195</u>

12. SHARE CAPITAL (Continued)

A summary of the movements in the Company's authorised and issued ordinary shares and convertible preference shares during the years ended 31 December 2015 and 2014 is as follows:

Authorised:

	<i>Note</i>	<u>Number of authorised shares</u>			Authorised convertible preference shares	Total
		Ordinary shares	Convertible preference shares	Authorised ordinary shares		
				<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
At 1 January 2014, 31 December 2014 and 1 January 2015		19,426,000	–	1,943	–	1,943
Increase in authorised share capital of US\$0.1 each	(b)	767,963,223	12,610,777	76,796	1,261	78,057
At 31 December 2015		787,389,223	12,610,777	78,739	1,261	80,000

Issued and fully paid:

	<i>Note</i>	<u>Number of shares in issue</u>			Issued convertible preference shares	Total
		Ordinary shares	Convertible preference shares	Issued ordinary shares		
				<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
At 1 January 2014, 31 December 2014 and 1 January 2015		11,952,000	–	1,195	–	1,195
Shares issued pursuant to the capitalisation issue of US\$0.1 each	(c)	228,766,310	12,610,777	22,877	1,261	24,138
At 31 December 2015		240,718,310	12,610,777	24,072	1,261	25,333

12. SHARE CAPITAL *(Continued)*

Notes:

- (a) 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' meeting. 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 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.

- (b) On 23 June 2015, the authorised share capital of the Company was increased by the creation of 767,963,223 ordinary shares and 12,610,777 convertible preference shares of US\$0.1 each.
- (c) On 29 June 2015, the Company allotted and issued 228,766,310 ordinary shares and 12,610,777 convertible preference shares as follows: (a) 153,169,499 ordinary shares were allotted and issued at US\$0.1 each to CPP in capitalisation of the consideration payable by the Company to CPP pursuant to the Reorganisation; (b) 34,924,313 ordinary shares were allotted and issued at US\$0.1 each to CPP as the sole shareholder of the Company in capitalisation of the amount of US\$3,492,431.3 which would be due from the Company to CPP as at 11 June 2015 and (c) 40,672,498 ordinary shares were allotted and issued at US\$0.1 each and 12,610,777 convertible preference shares were allotted and issued at US\$0.1 each to CPP as the sole shareholder of the Company in capitalisation of the amount of US\$5,328,327.5 out of the retained earnings.

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP RESULTS

In April 2015, an application was submitted to The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for the separate listing of the ordinary shares in the Company. The listing of our Company on the Main Board of the Stock Exchange by way of introduction took place on 3 July 2015. The shares in our Company were distributed in specie to the shareholders of C.P. Pokphand Co. Ltd., the immediate holding company of the Group before listing.

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, accounted 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 statement of comprehensive income as share of profits from joint venture and associate.

For the year ended 31 December 2015, the profit attributable to shareholders of the Group was US\$8.18 million, compared to US\$19.43 million in 2014.

In 2015, the Group’s revenue decreased 13.1% to US\$101.77 million (2014: US\$117.13 million). Gross profit margin was at 33.4%, compared to 32.2% in 2014.

Basic and diluted earnings per share were both US 3.46 cents (2014: US 8.90 cents). The board has resolved not to declare a final dividend for the year ended 31 December 2015 (2014: Nil).

BUSINESS REVIEW

Biochemical

The Group is one of the leading CTC producers globally. The Group generates 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 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.

For the year under review, the CTC manufacturing industry was characterised by intensified competition and generally lower average selling prices. The Group's biochemical revenue decreased 13.1% to US\$101.77 million (2014: US\$117.13 million). Of this, revenue contribution from China, United States of America, Asia Pacific (excluding China), Europe and elsewhere were 22.2%, 27.1%, 26.0%, 8.7% and 16.0%, respectively.

Competition intensified on two fronts as new players entered into the CTC manufacturing market. First, in the CTC premix segment, two notable new entrants both based in China entered into the market. While these two new entrants also sell their products globally, the more intense competition caused by them in 2015 was felt in China. Second, an existing CTC premix competitor added CTC HCL into its product offerings, increasing the number of CTC HCL manufacturers.

As a result of increased competition, average selling prices of CTC products came down during the year. In 2015, average selling prices of CTC premix reduced by approximately 5% when compared to 2014, and the average selling prices of CTC HCL reduced by approximately 5% as well.

Gross profit margin stood at 33.4% in 2015, compared to 32.2% in 2014. The Group endeavours to continuously raise production efficiency and lower production cost. This year, for instance, the Group further optimised formulation to reduce raw materials costs and began to implement intelligent control modules to reduce energy consumption.

Industrial

The Group's industrial business is conducted through two companies, 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 customer service 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, road and other infrastructure construction industries.

According to the National Bureau of Statistics of the PRC, China's gross domestic product in 2015 registered a year-on-year growth of 6.9%, compared to 7.3% in 2014. Meanwhile, fixed-asset investment growth in China softened from 15.7% in 2014 to 10.0% in 2015. Demand for excavators dropped in the western part of China as infrastructure and other large-scale projects were delayed amid moderating economic growth. Decline in commodity prices in general also fuelled a slowdown of related mining and industrial sectors. The changes in the market and general economic conditions in China had an adverse effect on the Group's share of profits of this business. As disclosed in our listing document dated 17 June 2015, the interim results announcement for the six months ended 30 June 2015 dated 10 August 2015 and the nine months results announcement for the period ended 30 September 2015 dated 10 November 2015, contribution from this business was approximately US\$0.5 million for the first quarter of 2015, US\$1.58 million for the first half of 2015 and US\$1.54 million for the first nine months ended 30 September 2015, respectively. The Group also disclosed in the announcement of its results for the nine months ended 30 September 2015 that the decline in contribution from the ECI Metro business reflected a worsening operating environment, consistent with a trend which was largely in line with what had been disclosed in the past. This worsening environment continued into the fourth quarter of 2015, for which a loss of US\$0.31 million was incurred. The downward trend has continued and is not expected to abate in the near future. In the year ended 31 December 2015, our share of profits of joint venture amounted to US\$1.23 million compared to US\$11.64 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. The overall operating environment was challenging as well. According to the China Association of Automobile Manufacturers, motorcycle sales declined by 11.7% year-on-year and total automobile sales growth softened from 6.9% in 2014 to 4.7% in 2015. As disclosed in our listing document, a pre-tax non-recurring gain on factory relocation of US\$7.5 million was recorded in 2014. In 2015, our share of profits of associate decreased to US\$2.97 million from US\$8.65 million last year.

OUTLOOK

Looking ahead, intensified competition in the CTC industry and pricing pressure are expected to continue, adding headwinds to the Group's biochemical business in 2016. As for the Group's industrial business in China, the economy's slower pace of growth and slowdown of the related mining and industrial sectors would continue to hit ECI Metro's business and a general weakness in motorcycle and automobile sales would continue to affect Zhanjiang Deni's business. Overall, the Group remains cautious about the coming year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, the Group had total assets of US\$199.0 million, a decrease of 3.8% as compared to US\$206.8 million as at 31 December 2014.

As at 31 December 2015, the Group had net cash of US\$1.4 million (31 December 2014: net debt of US\$1.3 million). Net debt to equity ratio (defined as total borrowings minus cash and cash equivalents divided by total equity) was 0.01 as at 31 December 2014.

Borrowings of the Group were all denominated in Renminbi (“RMB”) (31 December 2015: US\$16.7 million, 31 December 2014: US\$18.3 million).

As at 31 December 2015, fixed interest rate bank borrowings amounted to US\$11.2 million (31 December 2014: US\$7.7 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 cash and cash equivalents of US\$18.1 million as at 31 December 2015, an increase of US\$1.1 million compared to US\$17.0 million as at 31 December 2014.

CHARGES ON GROUP ASSETS

As at 31 December 2015, out of the total borrowings of US\$16.7 million (31 December 2014: US\$18.3 million) obtained by the Group, US\$5.4 million (31 December 2014: US\$8.4 million) was secured and accounted for 32% (31 December 2014: 46%) 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\$4.1 million (31 December 2014: US\$5.1 million) were pledged as security.

CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any significant contingent liabilities.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2015, the Group employed around 4,200 staff (including 800 staff from subsidiaries, 1,500 staff from joint venture and 1,900 staff from associate) 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 2015 (2014: nil).

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 period from the date of listing on 3 July 2015 to 31 December 2015.

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 as set out in Appendix 10 to the Listing Rules – Model Code for Securities Transactions by Directors of Listed Issuers. Having made specific enquiries with all directors of the Company, all of them confirmed that they had complied with the required standard set out in the Code of Conduct for Securities Transactions during the period from the date of listing of the Company on 3 July 2015 to 31 December 2015.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company has reviewed the consolidated results of the Group for the year ended 31 December 2015.

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 period from the date of listing on 3 July 2015 to 31 December 2015.

By Order of the Board
Thanakorn Seriburi
Director

Hong Kong, 29 February 2016

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.