



Chia Tai Enterprises International Limited
正大企業國際有限公司

(incorporated in Bermuda with limited liability)

stock code: 3839

LISTING BY INTRODUCTION

Sole Sponsor



IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this listing document, you should seek independent professional advice.



Chia Tai Enterprises International Limited

正大企業國際有限公司

(incorporated in Bermuda with limited liability)

**LISTING BY WAY OF INTRODUCTION
OF THE ENTIRE ISSUED ORDINARY SHARE CAPITAL OF
CHIA TAI ENTERPRISES INTERNATIONAL LIMITED
ON THE MAIN BOARD OF
THE STOCK EXCHANGE OF HONG KONG LIMITED**

stock code : 3839

Sole Sponsor



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This listing document is published in connection with the Listing and contains particulars given in compliance with the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules solely for the purpose of giving information with regard to our Company and its subsidiaries.

This listing document does not constitute an offer of, nor is it calculated to invite offers for, Shares or other securities of our Company, nor have any such Shares or other securities been allotted with a view to any of them being offered for sale to or subscription by the public. No Shares will be allotted or issued in connection with, or pursuant to, this listing document.

Your attention is drawn to the section headed “Risk Factors” in this listing document.

Information regarding the proposed arrangements for the listing of, and dealings and settlement of dealings in, our Ordinary Shares following the Listing is set forth in the section headed “Information about this Listing Document and the Listing” in this listing document.

17 June 2015

EXPECTED TIMETABLE⁽¹⁾⁽²⁾

Last day of dealings in CPP Ordinary Shares on a cum entitlement basis	Tuesday, 23 June 2015
First day of dealings in CPP Ordinary Shares on an ex entitlement basis	Wednesday, 24 June 2015
Latest time for lodging transfers of the CPP Ordinary Shares cum entitlement to our Ordinary Shares pursuant to the Distribution at	4:30 p.m. on Thursday, 25 June 2015
Register of members of CPP close on	Friday, 26 June 2015 to Monday, 29 June 2015 (both dates inclusive)
Distribution Record Date	Monday, 29 June 2015
Register of members of CPP open on	Tuesday, 30 June 2015
Share certificates of our Shares to be despatched on ⁽²⁾	Thursday, 2 July 2015
Dealings in our Ordinary Shares on the Stock Exchange expected to commence on ⁽²⁾	Friday, 3 July 2015
Payment to CPP Overseas Shareholders of the net proceeds of the sale of our Shares which they would otherwise receive pursuant to the Distribution on or around ⁽³⁾	Monday, 3 August 2015

Notes:

- (1) All dates and times refer to Hong Kong dates and times.
- (2) The share certificates for our Shares are expected to be despatched to CPP Qualifying Shareholders on Thursday, 2 July 2015 by ordinary post at their own risk. Share certificates will only become valid if the Distribution and the Spin-off become unconditional. One share certificate will be issued to each CPP Qualifying Shareholder for his entitlement to our Ordinary Shares or, for any CPP Qualifying Shareholder entitled to a number of Ordinary Shares exceeding one board lot of 500 Ordinary Shares, one share certificate representing his entitlement to the largest whole multiple of a board lot of 500 Ordinary Shares and a share certificate for the balance of his entitlement to Ordinary Shares, or, as the case may be, one share certificate will be issued to each CPP Qualifying Shareholder for his entitlement to our Preference Shares, save for share certificates to be issued to HKSCC Nominees, which may be in such denominations as requested by them. In the event the Distribution does not become unconditional, dealings in our Ordinary Shares on the Stock Exchange will not commence on Friday, 3 July 2015. In such event, we will make an announcement of the above and, if necessary, of a revised timetable. Investors who trade in our Shares prior to the receipt of the Share certificates or prior to such Share certificates becoming valid do so entirely at their own risk.
- (3) If, based on the register of members of CPP as at the close of business on the Distribution Record Date, there are CPP Shareholders with registered addresses outside of Hong Kong, the CPP Directors will make enquiries regarding the legal restrictions under the laws of the relevant jurisdictions and the requirements of the relevant regulatory body or stock exchange in that jurisdiction in respect of the Distribution. If the CPP Directors, having made relevant enquiries, consider that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant jurisdiction or any requirement of the relevant regulatory body or stock exchange in that jurisdiction, to exclude such CPP Overseas Shareholders from the entitlement to receive Shares under the Distribution, the CPP Overseas Shareholders (if any) will be entitled to the Distribution but will not receive our Shares. Instead, as soon as reasonably practicable after dealings in our Ordinary Shares commence on the Stock Exchange, CPP will sell, if possible and at the then prevailing market price, the Shares to which such CPP Overseas Shareholders would otherwise be entitled pursuant to the Distribution on their behalf. The CPP Overseas Shareholders will receive a cash amount equal to the net proceeds from the sale if such proceeds are equal to or more than HK\$100. If the net proceeds are less than HK\$100, CPP will retain such amount in its account. The net proceeds from such sale will be paid to the relevant CPP Overseas Shareholders in Hong Kong dollars. Cheques for such net proceeds are expected to be despatched around one month following the commencement of dealings in our Ordinary Shares on the Main Board. Further information is set forth in the section headed “The Distribution and Spin-off” in this listing document.

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IMPORTANT NOTICE TO INVESTORS

We have not authorised anyone to provide you with any information that is different from what is contained in this listing document. Any information or representation not made in this listing document must not be relied on by you as having been authorised by us, the Sole Sponsor, any of our or their respective directors, officers or representatives or any other person involved in the Listing.

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SUMMARY

This summary is intended to give you an overview of the information contained in this listing document. Since it is a summary, it does not contain all the information that may be important to you. You should read this listing document in its entirety, including the Appendices hereto, which constitute an integral part of this listing document.

Some of the particular risks of investing in our Shares are set out in the section headed “Risk Factors” in this listing document and you should read that section carefully before you decide to invest in our Shares.

OVERVIEW

Our Business

Our Group is involved in the biochemical business and the industrial business. We are one of the leading CTC producers globally, and have interests in a sales distributor for Caterpillar Products with its service territory covering the western part of the PRC (excluding the Xinjiang Uyghur Autonomous Region) and in a major motorcycle carburetors manufacturer in the PRC. The biochemical business, which focuses on the manufacture and sale of CTC products, commenced in 1995 and is conducted through subsidiaries which are held by two wholly-owned subsidiaries of our Company, namely Chia Tai Pucheng and Chia Tai Huazhong. The industrial business, which focuses on the trading of Caterpillar Products in the western part of the PRC (excluding the Xinjiang Uyghur Autonomous Region) and the manufacture and sale of carburetors and automotive parts, commenced in 1992 and is conducted through a joint venture and an associated company of our Company, namely ECI Metro Investment and Zhanjiang Deni, respectively.

Our Business Model

Our biochemical business

Our product portfolio primarily consists of CTC Premix and CTC HCL, which 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 our Group are produced by our Group and marketed mainly under our Group’s own brands “Shihao 施豪” and “Citifac 喜特肥”. We derive our revenue from the sale of CTC Premix and CTC HCL. Our biochemical business accounted for all of our combined revenue in each of the three years ended 31 December 2012, 2013 and 2014. Our biochemical business contributed to approximately 83.1%, 44.3% and 42.2% of our profit attributable to shareholder in each of the three years ended 31 December 2012, 2013 and 2014, respectively.

Sales

We enter into sales agreements with our customers by which the total quantity, the selling price and the payment terms will be agreed. The arrangements for delivery of our products and the delivery costs are also set out in the sales agreements.

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Customers

We sell our CTC products to customers in the PRC and overseas. Our customers in the PRC are mainly feed mills located in different provinces whereas overseas customers include feed mills, pharmaceutical companies and trading companies. For each of the three years ended 31 December 2012, 2013 and 2014, the five largest customers accounted for approximately 44.3%, 42.8% and 39.0% of our total revenue, respectively. Our Group has at least nine years of business relationship with the five largest customers in each of the three years ended 31 December 2012, 2013 and 2014, which include pharmaceutical companies and trading companies, and more than 18 years of business relationship with our largest customer, during the Track Record Period. The largest customer accounted for approximately 27.3%, 26.7% and 22.3% of the total revenue of our biochemical business for each of the three years ended 31 December 2012, 2013 and 2014, respectively.

Production

Our Group currently has two CTC production plants in the PRC, namely Pucheng Production Plant (which produces CTC Premix and CTC HCL) and Zhumadian Production Plant (which produces CTC Premix).

	For the year ended 31 December								
	2012			2013			2014		
	Actual production volume	Annual production capacity	Utilisation rate	Actual production volume	Annual production capacity	Utilisation rate	Actual production volume	Annual production capacity	Utilisation rate
(tons)	(tons)	(%)	(tons)	(tons)	(%)	(tons)	(tons)	(%)	
Pucheng Production Plant:									
CTC Premix	19,702	21,850	90.2	19,327	21,850	88.5	15,328	21,850	70.2
CTC HCL	1,078	1,180	91.4	929	1,180	78.7	975	1,180	82.6
Zhumadian Production Plant:									
CTC Premix	28,501	28,300	100.7	28,492	28,300	100.7	22,463	28,300	79.4

Pucheng Production Plant

The Pucheng Production Plant has a total GFA of approximately 64,607 sq.m. and includes 19 production workshops. This production plant had 297 staff as at the Latest Practicable Date. It has been engaging in the production of CTC Premix and CTC HCL since 1995 and 1998, respectively. Its major production equipment includes 38 fermenters, six refrigerators and 11 air compressors with an annual production capacity of approximately 21,850 tons of CTC Premix and approximately 1,180 tons of CTC HCL. For each of the three years ended 31 December 2012, 2013 and 2014, the utilisation rate at the Pucheng Production Plant of the production of CTC Premix reached approximately 90.2%, 88.5% and 70.2%, respectively while that of the production of CTC HCL reached approximately 91.4%, 78.7% and 82.6%, respectively.

Zhumadian Production Plant

The Zhumadian Production Plant has a total GFA of approximately 36,529 sq.m. and includes five production workshops. As at the Latest Practicable Date, this production plant had 203 staff. It has been engaging in the production of CTC Premix since it commenced

SUMMARY

production in 1997. Its major production equipment includes 41 fermenters, 11 refrigerators and six air compressors with an annual production capacity of approximately 28,300 tons of CTC Premix. For each of the three years ended 31 December 2012, 2013 and 2014, the utilisation rate at the Zhumadian Production Plant of the production of CTC Premix reached approximately 100.7%, 100.7% and 79.4%, respectively. Utilisation rates over 100% represent over-time operation of the production plant, shortened duration for scheduled maintenance and enhanced fermentation technology.

Raw materials and suppliers

The principal raw materials used by our two CTC production plants include corn starch, yeast, peanut meal and soybean meal. Our two CTC production plants source raw materials locally in order to reduce transportation costs.

The raw material suppliers of our two CTC production plants include both raw material manufacturers and raw material distributors. For each of the three years ended 31 December 2012, 2013 and 2014, purchases from our largest raw material supplier accounted for approximately 12.1%, 14.5% and 9.6%, respectively, and purchases from our five largest raw material suppliers accounted for approximately 32.7%, 31.7% and 21.6%, respectively, of our total cost of sales.

The industrial business in which our Group is involved

The contributions from our industrial business, which is conducted through a joint venture and an associated company of our Company, namely ECI Metro Investment and Zhanjiang Deni, respectively, represented, in aggregate, 16.9%, 55.7% and 57.8% of our profit attributable to shareholder for each of the three years ended 31 December 2012, 2013 and 2014, respectively.

ECI Metro Group

Our Company holds a 50% equity interest in ECI Metro Investment. ECI Metro Group is one of four Caterpillar dealers whose service territories are located in the PRC and ECI Metro Group is responsible for the sale, leasing and customer service of Caterpillar Products within its service territory of Yunnan, Guizhou, Sichuan, Shaanxi, Gansu and Qinghai provinces, Ningxia Hui Autonomous Region, Tibet Autonomous Region and Chongqing municipality. In addition to its headquarters in Chengdu, Sichuan Province, ECI Metro Group has an operating entity in each of the provinces, autonomous regions and municipality.

The revenue of ECI Metro Group is derived from the sales, leasing and customer service of Caterpillar's machinery equipment. Customers who require financing can also purchase Caterpillar Products from ECI Metro Group through the financial leasing service provided by CCFL, which is a wholly foreign-owned enterprise, owned by two subsidiaries of Caterpillar. Most of ECI Metro Group's customers, save for CCFL in its financing capacity, are engineering contractors in the PRC and the key customers include those engaged in the mining, railroad,

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road and other infrastructure construction industries. For each of the three years ended 31 December 2012, 2013 and 2014, the five largest customers accounted for approximately 67.4%, 74.6% and 72.4% of the total revenue of ECI Metro Group, respectively. The largest customer of ECI Metro Group, being CCFL, which provides financial leasing service to other customers of ECI Metro Group, accounted for approximately 63.3%, 65.1% and 67.8%, respectively, of the total revenue of ECI Metro Group for each of the three years ended 31 December 2012, 2013 and 2014. CCFL has ten years of business relationship with ECI Metro Group.

Caterpillar is the only machinery supplier of ECI Metro Group. ECI Metro Group's business relationship with Caterpillar started in 1995. Caterpillar is the world's leading manufacturer of earthmoving and construction equipment, which is widely used in highway and railway building, port handling, airport construction, waste management, mining and hydropower projects along with other industrial projects. For each of the three years ended 31 December 2012, 2013 and 2014, purchases from Caterpillar accounted for approximately 98.6%, 98.5% and 98.1%, respectively, of ECI Metro Group's total purchases.

Zhanjiang Deni

Our Company holds 28% equity interest in Zhanjiang Deni. Zhanjiang Deni is one of the leading manufacturers of carburetors in the PRC and has over 20 years of experience in the manufacture and sale of motorcycle carburetors. It is also engaged in the manufacture and sale of automotive parts. The main carburetor products of Zhanjiang Deni include general engine carburetors, motorcycle carburetors and electric control carburetors. Zhanjiang Deni's carburetor products are mainly sold to motorcycle manufacturers in the PRC.

Our Competitive Strengths

Our Directors attribute our Group's historical success to-date and future prospects to a number of competitive strengths including:

- A diversified business portfolio encompassing biochemical and industrial businesses
- Long-standing relationships with major customers
- Leading CTC producer globally with scaled CTC production
- Global CTC sales network with broad national and international reach supported by strong sales and marketing capabilities
- High quality CTC products
- Sales distributor for Caterpillar Products with its service territory covering the western part of the PRC (excluding the Xinjiang Uyghur Autonomous Region)
- A leading manufacturer of carburetors in the PRC

SUMMARY

Our Business Strategies

Our Group plans to maintain our leading position in the biochemistry industry and maintain the market position of the industrial business operated by the joint venture and the associated company in which we hold significant interests by implementing the following strategies:

- Expand our product range in CTC and related veterinary medication
- Improve technology and CTC productivity to further enhance our production efficiency
- ECI Metro Group: Capture additional demand driven by the development and urbanization in the western part of the PRC
- Zhanjiang Deni: Leverage its in-depth knowledge of production technologies in the manufacture of carburetors to further expand its product portfolio

RISK FACTORS

Our business is subject to numerous risks and there are risks relating to an investment in our Shares. As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the section headed “Risk Factors” in this listing document in its entirety before you decide to invest in our Shares. The risks we primarily face include: (i) changes in livestock farming practice, improvement in hygiene conditions of farming environment, advancement in biochemical technology or increased public concerns on the consumption of livestock fed with feed to which antibiotics are added may lead to reduced demand for our CTC products; (ii) our business, financial condition and operating results may be materially and adversely affected if the supply of raw materials is disrupted or if there is a substantial increase in the prices of our raw materials; (iii) the outbreak of animal diseases, including the avian flu or other similar epidemics, could adversely affect our biochemical business; (iv) a substantial amount of our revenue is derived from the sales of CTC Premix; (v) we are subject to risks associated with our exports to the United States and other countries outside the PRC; (vi) we rely on a key customer for a substantial portion of our sales in the United States; (vii) our biochemical business is required to comply with environmental protection laws and regulations which may become more stringent; (viii) the industrial business in which our Group is involved is highly competitive; (ix) any change in the distributorship between ECI Metro Group and Caterpillar may significantly affect the business of ECI Metro Group; (x) ECI Metro Group relies on one key customer and the loss of such customer may have a material and adverse effect on its business, financial position and results of operations; (xi) ECI Metro Group bears certain credit risks under the financing arrangements with CCFL if the ultimate customer defaults in repayment to CCFL; (xii) supply and demand for Caterpillar Products in the PRC are largely driven by infrastructure projects in the western part of the PRC and construction and mining projects in the PRC generally and any changes in the Western China Development or affecting the mining and construction industries in the PRC may significantly affect the sales of Caterpillar Products by ECI Metro Group; (xiii) the business of Zhanjiang Deni may be affected by several factors, including the demand for motorcycles manufactured in the PRC and the development of the automobile industry in the PRC; (xiv) the industries relating to the biochemical and industrial businesses in which we are involved may be adversely affected by fluctuations in the global economy and financial

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markets; and (xv) we may fail to obtain or renew various licences and permits necessary for our business operations in the PRC and for the export of our CTC products, as a result of which our business and prospects would be materially and adversely affected.

CONTROLLING SHAREHOLDER

As at the Latest Practicable Date, CPF held 100% of the CPP Preference Shares in issue, and, through its wholly-owned subsidiary CPFI, was interested in approximately 47.8% of the CPP Ordinary Shares in issue. As at the date of this listing document and up to the Distribution, CPP holds 100% of the issued share capital of our Company. Immediately after the Distribution, our Company will cease to be part of the Remaining CPP Group but will remain a subsidiary of CPF. CPF will be interested in 47.8% of the issued Ordinary Shares of our Company through CPFI and will also hold 100% of the issued Preference Shares of our Company. Upon Listing, CPF will, indirectly through its wholly-owned subsidiary CPFI, be our Controlling Shareholder.

CPF was organised under the laws of the Kingdom of Thailand on 17 January 1978 and has been a public listed company whose shares are traded on the Stock Exchange of Thailand since 21 December 1987. CPF together with its subsidiaries is an agro-industrial and food conglomerate and is principally engaged in four major business segments, namely (a) the feed business which involves the manufacturing and sales of animal feed; (b) the farm business which involves the animal breeding, animal farming, and basic meat processing; (c) the food business which involves the production of partially-cooked and fully cooked meat, as well as food products under CPF's brands and customers' brands; and (d) the retail and food outlets business which involves the operation of food retail outlets, restaurants and food courts.

RELATIONSHIP WITH THE REMAINING CPP GROUP

Following the completion of the Spin-off, there will be a clear delineation between the businesses of our Group and the businesses retained by the Remaining CPP Group. This delineation will be based on the difference in the nature of business and focus.

Our Group will (i) be engaged in the biochemical business which focuses on the manufacture and sale of CTC products; and (ii) have interests in a joint venture and an associated company engaged in the industrial business which focuses on the trading of Caterpillar Products and the manufacture and sale of carburetors and automotive parts.

The Remaining CPP Group will primarily be engaged in the manufacture and sale of animal feed products; breeding, farming and sale of livestock and aquatic animals and the manufacture and sale of value-added processed food products.

In view of the different nature of business and focus of the agri-food business of the Remaining CPP Group and the biochemical and industrial businesses in which our Group is involved in, our Directors are of the view that there will be a clear delineation between the retained businesses of the Remaining CPP Group and the businesses of our Group.

SUMMARY

REASONS FOR AND BENEFITS OF THE SPIN-OFF AND THE LISTING

As stated in the circular of CPP issued to CPP Shareholders on 26 March 2015, CPP believes that the Spin-off will better position each of the Remaining CPP Group and our Group for growth in its respective lines of business and deliver benefits to both by:

- (a) ***Creating own investor base for the biochemical business and the industrial business:*** Through the Spin-off and Listing, our biochemical business and our interest in the industrial business will be able to be valued separately from the Remaining CPP Group on the basis of our Group's own merits with increased operational and financial transparency. The Spin-off will also help to create a new investor base for our Group as it will be able to attract new investors who are seeking investments specifically in the biochemical and industrial sectors. It may also position the Remaining CPP Group to better attract investors who are only focused on the agri-food business.
- (b) ***Clarifying the equity story and enhancing financing flexibility:*** As a result of the Spin-off and Listing, the Remaining CPP Group and our Group will have separate fundraising platforms in the equity and debt capital markets, which will increase financing flexibility for each of these two separate groups of companies to support their respective growth.
- (c) ***More defined focus and efficient resource allocation:*** CPP has been continuously listed on the Stock Exchange since 1988. Prior to 2008, the CPP Group was principally engaged in the agribusiness and the biochemical business operated by our Group together with its interests in the industrial business, as well as the manufacture and sale of motorcycles. In August 2008, it completed the disposal of its agribusiness operations. From that time onwards until February 2010, CPP continued to be listed on the Main Board of the Stock Exchange when the CPP Group's principal businesses were the biochemical business currently operated by our Group and the industrial business in which our Group currently has interests, as well as the manufacture of motorcycles. Interests in the agribusiness were subsequently re-introduced to the CPP Group pursuant to a restructuring completed at the end of February 2010. Our Company will following the Spin-off therefore be substantially comparable to CPP as it was between August 2008 and February 2010.

Our Group's biochemical and industrial activities have been a relatively small part of the CPP Group and their share of resources and management attention of the CPP Group is relatively small. Following the Spin-off and the Listing, our Group under our dedicated management team will be able to capture resources and develop and pursue strategies which are aimed at further expanding our own biochemical business and interests in industrial business.

- (d) ***Separate share option schemes to incentivize staff of separate businesses:*** The Share Option Scheme is designed to provide incentives, inter alia, to the staff of our Group measured by reference to the performance of our securities, whilst the equivalent scheme of CPP will continue to provide incentives, inter alia, to the staff of the Remaining CPP Group measured by reference to the performance of CPP securities after the Spin-off.

Please refer to the section headed "The Distribution and Spin-off – Reasons for and benefits of the Spin-off and the Listing" in this listing document for further details.

SUMMARY

PREFERENCE SHARES

Each Preference Share shall be convertible into such number of Ordinary Share(s) being one (1) multiplied by the conversion rate. The conversion rate shall be determined by dividing the distribution value of each Preference Share by the conversion price. The initial conversion price is the distribution value, and the initial conversion rate is one (1) Preference Share to one (1) Ordinary Share. The conversion price is subject to adjustment upon the occurrence of certain prescribed events (including consolidation, subdivision or reclassification of shares, capitalization of profits or reserves, capital distributions, rights issues of Ordinary Shares or options over Ordinary Shares, and issues of convertible securities with consideration at less than the conversion price), but provided that the conversion price shall not be less than the then subsisting nominal value of an Ordinary Share into which such Preference Share is being converted. If any adjustment is required to be made to the conversion price, an announcement will be made by our Company. Please refer to the section headed “The Distribution and Spin-off” in this listing document for more background information on our Preference Shares and the sub-section headed “Summary of the Constitution of the Company and Bermuda Company Law – Bye-laws” in Appendix II to this listing document for a summary of the principal terms of the Preference Shares.

SUMMARY OF SELECTED FINANCIAL INFORMATION

Summary Combined Statements of Comprehensive Income

The following table summarises our combined results for the financial years indicated:

	Year Ended 31 December		
	2012	2013	2014
	(in US\$ thousands)		
Revenue	132,274	122,219	117,131
Cost of sales	(92,659)	(85,449)	(79,445)
Gross profit	<u>39,615</u>	<u>36,770</u>	<u>37,686</u>
Other income, net	7,630	1,024	1,106
Selling and distribution costs	(6,154)	(5,874)	(7,280)
General and administrative expenses . . .	(12,371)	(13,053)	(22,772)
Finance costs	(408)	(841)	(1,200)
Share of profits and losses of:			
Joint venture	1,815	13,699	11,640
Associate	2,978	3,546	8,646
Profit before tax	<u>33,105</u>	<u>35,271</u>	<u>27,826</u>
Income tax	(8,541)	(1,885)	(4,226)
Profit for the year	<u>24,564</u>	<u>33,386</u>	<u>23,600</u>
<i>Attributable to shareholder of the</i>			
<i>Company</i>	17,714	27,790	19,430
<i>Attributable to non-controlling</i>			
<i>interests</i>	<u>6,850</u>	<u>5,596</u>	<u>4,170</u>

SUMMARY

Summary of Operating Segment Results

The following table summarises our combined segment results for the financial years indicated:

	Year Ended 31 December								
	2012			2013			2014		
	Biochemical operations	Industrial operations	Total	Biochemical operations	Industrial operations	Total	Biochemical operations	Industrial operations	Total
	(in US\$ thousands)								
Segment revenue									
Sales to external customers	132,274	–	132,274	122,219	–	122,219	117,131	–	117,131
Segment results									
The Group	30,173	(1,505)	28,668	20,291	(1,472)	18,819	16,962	(8,277)	8,685
Share of profits and losses of:									
Joint venture	–	1,815	1,815	–	13,699	13,699	–	11,640	11,640
Associate	–	2,978	2,978	–	3,546	3,546	–	8,646	8,646
	<u>30,173</u>	<u>3,288</u>	<u>33,461</u>	<u>20,291</u>	<u>15,773</u>	<u>36,064</u>	<u>16,962</u>	<u>12,009</u>	<u>28,971</u>
Reconciliation:									
Bank interest income			52			48			55
Finance costs			(408)			(841)			(1,200)
Profit before tax			<u>33,105</u>			<u>35,271</u>			<u>27,826</u>

Biochemical operations

Our segment results of the biochemical operations decreased by US\$3.3 million, or 16.3%, from US\$20.3 million in the financial year 2013 to US\$17.0 million in the financial year 2014. This decrease was primarily due to a decrease in the average realised selling prices of our CTC Premix and CTC HCL.

Our segment results of the biochemical operations decreased by US\$9.9 million, or 32.8%, from US\$30.2 million in the financial year 2012 to US\$20.3 million in the financial year 2013. This decrease was primarily due to a 10.8% decrease in sales volumes of our CTC Premix and a 2.0% decrease in sales volumes of our CTC HCL and a substantial decrease in gains on factories relocation.

Industrial operations

Our segment results of the industrial operations decreased by US\$3.8 million, or 24.1%, from US\$15.8 million in the financial year 2013 to US\$12.0 million in the financial year 2014. This decrease was primarily due to an increase in legal and professional fees related to our proposed Listing and a decrease in profits generated by ECI Metro Investment in the financial year 2014. This increase was partially offset by an increase in income from Zhanjiang Deni primarily due to a non-recurring gain on factory relocation.

SUMMARY

Our segment results of the industrial operations substantially increased by US\$12.5 million, or 378.8%, from US\$3.3 million in the financial year 2012 to US\$15.8 million in the financial year 2013. This increase was primarily because of a substantial increase in profit after income tax of our joint venture ECI Metro Investment mainly due to increased sales of machinery equipment. Sales of automotive parts and related profit after income tax also increased at our associated company, Zhanjiang Deni.

For additional information on operating segment results, please refer to the section headed “Financial Information – Review of Historical Financial Results”.

Summary of Revenue and Gross Profit

We sell our products internationally, including in the PRC, the United States, the Asia Pacific region and Europe. The table below presents a breakdown of revenue by geographical market for the financial years indicated:

	Year Ended 31 December					
	2012		2013		2014	
	(in US\$ thousands, except percentages)					
PRC	36,130	27.3%	30,730	25.1%	37,473	32.0%
United States	42,587	32.2%	38,036	31.1%	26,720	22.8%
Asia Pacific (ex-PRC)	21,363	16.2%	22,824	18.7%	24,046	20.5%
Europe	7,576	5.7%	4,450	3.7%	5,050	4.3%
Other countries	24,618	18.6%	26,179	21.4%	23,842	20.4%
Total Revenue	132,274	100.0%	122,219	100.0%	117,131	100.0%

Note: In terms of revenue, the main market for our products in Europe is Germany; our main Asia Pacific (excluding PRC) markets are Thailand, Vietnam and Hong Kong; and “other countries” primarily include Canada, Brazil and Mexico.

The table below presents a breakdown of revenue by product type for the financial years indicated:

	Year Ended 31 December					
	2012		2013		2014	
	(in US\$ thousands, except percentages)					
CTC Premix	106,076	80.2%	97,460	79.7%	94,610	80.8%
CTC HCL	26,198	19.8%	24,759	20.3%	22,521	19.2%
Total Revenue	132,274	100.0%	122,219	100.0%	117,131	100.0%

SUMMARY

The table below presents a breakdown of gross profit and gross profit margin by geographical market for the financial years indicated:

	Year Ended 31 December					
	2012		2013		2014	
	Gross Profit	Gross Profit Margin ⁽¹⁾	Gross Profit	Gross Profit Margin ⁽¹⁾	Gross Profit	Gross Profit Margin ⁽¹⁾
	(in US\$ thousands, except percentages)					
PRC	11,514	31.9%	10,506	34.2%	12,998	34.7%
United States	12,770	30.0%	11,449	30.1%	8,736	32.7%
Asia Pacific (ex-PRC)	6,371	29.8%	6,602	28.9%	7,722	32.1%
Europe	2,003	26.4%	1,000	22.5%	1,242	24.6%
Other countries	6,957	28.3%	7,213	27.6%	6,988	29.3%
Total	39,615	29.9%	36,770	30.1%	37,686	32.2%

Note: Gross profit margin is calculated by dividing gross profit by revenue.

The table below presents a breakdown of gross profit and gross profit margin by product type for the financial years indicated:

	Year Ended 31 December					
	2012		2013		2014	
	Gross Profit	Gross Profit Margin ⁽¹⁾	Gross Profit	Gross Profit Margin ⁽¹⁾	Gross Profit	Gross Profit Margin ⁽¹⁾
	(in US\$ thousands, except percentages)					
CTC Premix	33,030	31.1%	31,735	32.6%	32,389	34.2%
CTC HCL	6,585	25.1%	5,035	20.3%	5,297	23.5%
Total	39,615	29.9%	36,770	30.1%	37,686	32.2%

Note: Gross profit margin is calculated by dividing gross profit by revenue.

Summary Combined Statements of Financial Position

The table below summarises our combined results as at the dates indicated:

	As at 31 December		
	2012	2013	2014
	(in US\$ thousands)		
Non-current assets	110,521	135,861	149,798
Current assets	69,830	80,323	57,038
Current liabilities	(75,290)	(73,804)	(31,207)
Net current (liabilities)/assets	(5,460)	6,519	25,831
Non-current liabilities	(7,005)	(7,767)	(7,677)
Net assets	98,056	134,613	167,952
Total equity	98,056	134,613	167,952

SUMMARY

Certain Financial Ratios

The following table sets forth certain financial ratios as at the end of each financial year indicated:

	Year Ended 31 December		
	2012	2013	2014
Return on equity ⁽¹⁾	25.1%	24.8%	14.1%
Return on total assets ⁽²⁾	13.6%	15.4%	11.4%
Current ratio ⁽³⁾	92.7%	108.8%	182.8%
Debt to equity ratio ⁽⁴⁾	n.a. ⁽⁶⁾	9.0%	0.8%
Gearing ratio ⁽⁵⁾	11.5%	16.8%	10.9%

Notes:

- (1) Return on equity equals profit for the year as a percentage of total equity as at the end of the relevant reporting period.
- (2) Return on total assets equals profit for the year as a percentage of total assets as at the end of the relevant reporting period.
- (3) Current ratio equals total current assets as at the end of the relevant reporting period as a percentage of total current liabilities as at the end of the relevant reporting period.
- (4) Debt to equity ratio equals net debt as at the end of the relevant reporting period as a percentage of total equity as at the end of the relevant reporting period; net debt equals total bank borrowings as at the end of the relevant reporting period date less cash and cash equivalents as at the end of the relevant reporting period.
- (5) Gearing ratio equals total bank borrowings as at the end of the relevant reporting period as a percentage of total equity as at the end of the relevant reporting period.
- (6) Net cash position as at the end of the relevant reporting period.

DIVIDEND POLICY

After completion of the Listing, our Ordinary Shareholders will be entitled to receive dividends we declare and our Preference Shareholder(s) will be entitled to receive dividends we declare *pari passu* with Ordinary Shareholders on the basis of the number of Ordinary Share(s) into which each Preference Share may be converted in accordance with the Bye-laws and on an *as converted* basis. Our Directors are responsible for submitting proposals in respect of dividend payments, if any, to the Ordinary Shareholders' general meeting for approval. Any approved declaration of dividends must not exceed the amount recommended by our Board. Whether we pay a dividend and in what amount is based on our results of operations, cash flows, financial condition, cash dividends we receive from our subsidiaries, future business prospects, statutory and regulatory restrictions on the payment of dividends by us and other factors that our Directors deem relevant. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends, if any, may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Board.

SUMMARY

As we are a holding company, our ability to declare and pay dividends will depend on receipt of sufficient funds from our subsidiaries, joint venture and associated company. These entities must comply with their respective constitutional documents, the laws and regulations of their respective jurisdiction of incorporation and any applicable contractual restrictions (if any) in declaring and paying such dividends to us.

FUTURE PLANS AND PROSPECTS

Our objective is to maintain our leading position in the biochemical industry by leveraging our competitive edge and seek to maintain the market position of the industrial business operated by the joint venture and the associated company in which we hold significant interests. For a detailed description of our future plans, please see the section headed “Business – Business Strategies” in this listing document.

PROPERTIES

As of the Latest Practicable Date, Zhumadian Huazhong has not obtained the building ownership certificates for 15 buildings in China with a total GFA of approximately 5,700 sq.m., representing approximately 5.4% of the total GFA of properties owned by our Group. These properties are mainly used as production plants, warehouses and laboratories. As of the Latest Practicable Date, eight buildings with an aggregate GFA of approximately 56,774.87 sq.m. situated in a property under construction were used by Zhanjiang Deni without having obtained the relevant inspection approvals. In addition, as of the Latest Practicable Date, our Group leased five properties with a total area of approximately 509.96 sq.m. Among these properties, (i) lessor of one property with an aggregate GFA of approximately 130 sq.m., representing approximately 25.49% of the total GFA of properties leased by our Group, had not provided the lessee with the relevant title certificates or other documents evidencing authorisation of the leasing; and (ii) lease agreements with respect to all of the five properties had not been registered or filed with the relevant authorities in accordance with applicable PRC laws and regulations. Similarly, as of the Latest Practicable Date, the ECI Metro Group leased 68 properties with a total area of approximately 64,047.14 sq.m. and Zhanjiang Deni leased two properties with a total area of approximately 3,202.11 sq.m. Among these properties, (i) the lessors of 49 properties with an aggregate GFA of approximately 37,805.74 sq.m. leased by ECI Metro Group, representing approximately 59.03% of the total GFA of properties leased by ECI Metro Group, had not provided the lessees with the relevant title certificates or other documents evidencing authorisation of the leasing (whereas the lessors of both properties with an aggregate GFA of 3,202.11 sq.m. leased by Zhanjiang Deni had); and (ii) lease agreements with respect to all of the 75 properties had not been registered or filed with the relevant authorities in accordance with applicable PRC laws and regulations. The affected properties were mainly used as offices, staff dormitories and warehouses. Furthermore, Dongfeng Shiyan has not entered into any tenancy agreement with 東風汽車公司 (Dongfeng Automobile*) or Dongfeng Electronic (being the lessee from Dongfeng Automobile*) in respect of a piece of land with an aggregate site area of approximately 83,580.80 sq.m. with 31 buildings situated on it, which is currently used by Dongfeng Shiyan as its production facility.

In view of the nature of the use of these owned and leased properties, and/or the nature and extent of the risk that we are exposed to because of such title defects as advised by our PRC legal adviser, Jun He Law Offices, we believe that none of such property title defects will

SUMMARY

materially and adversely impact our business operations. Please refer to the section headed “Business – Properties” for further details of the nature of the title defects, maximum penalty and potential legal impact, views of our PRC legal adviser and remedial actions taken or to be taken by us.

RECENT DEVELOPMENTS

On 25 December 2014, our associated company Zhanjiang Deni entered into an equity interest transfer agreement in relation to its acquisition of 100% of the equity interest in Dongfeng Shiyuan from Dongfeng Electronic and 上海東儀汽車貿易有限公司 (Shanghai Dongyi Automobile Trade Co. Ltd.*), which at that time held 99% and 1%, respectively, of the equity interest in Dongfeng Shiyuan. The total consideration for the acquisition was RMB58,649,600. The acquisition was completed on 5 January 2015. Following the acquisition, Dongfeng Shiyuan has become a wholly-owned subsidiary of Zhanjiang Deni.

Pucheng Chia Tai commenced production of a veterinary medicine called Tylosin at the end of 2014. The current annual production capacity is 100 tons and is expected to be increased to 170 tons by 2016. Tylosin has a similar function as CTC HCL and offers effective treatment of a swine disease called Mycoplasma. Pucheng Chia Tai commenced the commercial sale of Tylosin to its existing customers in January 2015.

Based on our unaudited financial information for the three months ended 31 March 2015, our revenue for that period was approximately US\$25.7 million, representing a 12.4% decrease compared to the same period in 2014, and gross profit was approximately US\$8.7 million, representing a 12.4% decrease compared to the same period in 2014. Our gross profit margin for the three months ended 31 March 2015 was approximately 33.9%, compared to 33.9% for the same period in 2014. The decrease in revenue was primarily due to a decrease in our CTC products sales volume in the United States to our largest customer in the three months ended 31 March 2015, although the purchase orders received from this key U.S. customer increased for each of the second and third quarters of 2015. (Please refer to the section headed “Business – Our Biochemical Business – Customers” in this listing document for further information.)

In addition to a reduction in the revenue of our biochemical business, there was also a reduction in our share of profits of ECI Metro Group in the first three months of 2015 compared to the same period in 2014. This was the result of a downturn in the growth of the industrial sector in the western part of the PRC due to the slowing economic growth in that region. Based on the unaudited financial information of ECI Metro Group for the three months ended 31 March 2015, the revenue of ECI Metro Group for that period was approximately US\$97.8 million, representing a 47.7% decrease compared to the same period in 2014 and gross profit was approximately US\$14.9 million, representing a 44.2% decrease compared to the same period in 2014. Our share of profits for such joint venture in January and February 2015 had in fact contracted to zero, although the performance of this joint venture improved in March 2015 so that, based on our unaudited financial information for the three months ended 31 March 2015, our share of profits for ECI Metro Group for that period was US\$0.5 million. This improvement was a sign of an easing of the industry downturn towards the end of that period. Our Directors believe that the downturn will continue to show signs of easing in the rest of 2015.

SUMMARY

The financial information of the Group as at and for the three months ended 31 March 2015 disclosed above is derived from the Company's unaudited interim financial statements as at and for the three months ended 31 March 2015, which have been reviewed by our reporting accountants in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

As far as our Directors are aware, save as disclosed above, there has not been any adverse material change in the general economic and market conditions, the CTC industry, the construction equipment industry or the automobile industry in which we operate that have materially and adversely affected our results of operations or financial condition since 31 December 2014 (being the date to which our latest combined financial information has been prepared) up to the date of this listing document.

LISTING EXPENSES

The estimated total listing expenses incurred in relation to the listing of our Ordinary Shares on the Main Board are approximately US\$6.7 million, of which US\$5.5 million were charged to our statement of comprehensive income for the year ended 31 December 2014 and the remaining US\$1.2 million will be charged to our statement of comprehensive income for the year ending 31 December 2015. These listing expenses are mainly comprised of professional fees paid/payable to the parties involved in the listing of our Ordinary Shares on the Main Board for their services rendered for the purpose of the listing of our Ordinary Shares on the Main Board.

DEFINITIONS

In this listing document, unless the context otherwise requires, the following expressions shall have the following meanings:

“Baht”	Thai Baht, the lawful currency of Thailand
“Board” or “Board of Directors”	the board of directors of our Company
“business day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“Bye-laws”	the Bye-laws of our Company adopted on 5 June 2015 and as amended from time to time, a summary of which is set forth in Appendix II to this listing document
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of up to 228,766,372 Ordinary Shares and 12,610,777 Preference Shares, credited as fully paid, by our Company to CPP by way of capitalisation of (i) firstly, the balance due to CPP arising from the consideration payable under the Reorganisation and the amount due from our Company to CPP as at the date on which the Listing Committee grants approval for the Listing and (ii) as to any remainder, out of our profit available for distribution
“Caterpillar”	Caterpillar Inc. or any of its subsidiaries
“Caterpillar Products”	machinery supplied by Caterpillar pursuant to the distribution agreements entered into between the ECI Metro Group and Caterpillar
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant

DEFINITIONS

“CCFL”	Caterpillar (China) Financial Leasing Co., Ltd. a wholly foreign-owned enterprise, owned by two subsidiaries of Caterpillar
“Charoen Pokphand Group”	CPG and its subsidiaries, joint ventures and associated companies
“Chia Tai Huazhong”	Chia Tai Huazhong Biochemistry Limited (正大華中生化有限公司), a limited liability company incorporated under the laws of Hong Kong on 11 December 2007 and a wholly-owned subsidiary of our Company
“Chia Tai Pucheng”	Chia Tai Pucheng Biochemistry Limited (正大浦城生化有限公司) (formerly known as Chia Tai (Fuzhou) Company Limited), a limited liability company incorporated under the laws of Hong Kong on 14 March 1986 and a wholly-owned subsidiary of our Company
“Companies Act”	the Companies Act 1981 of Bermuda
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
“Company” or “our Company”	Chia Tai Enterprises International Limited (正大企業國際有限公司) (formerly known as Ek Chor China Motorcycle Co. Ltd.), a limited liability company incorporated in Bermuda on 16 October 1987
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules and, in the case of our Company, means CPF
“CP Enterprises”	C.P. Enterprises Limited (卜蜂實業有限公司) (formerly known as Ek Chor Company Limited), a limited liability company incorporated under the laws of Hong Kong on 6 September 1983 and a wholly-owned subsidiary of our Company
“CPF”	Charoen Pokphand Foods Public Company Limited, a company organised and existing under the laws of the Kingdom of Thailand whose shares are listed and traded on the Stock Exchange of Thailand, which indirectly through its wholly-owned subsidiary CPFII will be our Controlling Shareholder after the Listing Date

DEFINITIONS

“CPFI”	CPF Investment Limited, a company incorporated in the BVI with limited liability, a wholly-owned subsidiary of CPF
“CPG”	Charoen Pokphand Group Company Limited, a company organised and existing under the laws of the Kingdom of Thailand
“CPP”	C.P. Pokphand Co. Ltd., an exempted company incorporated in Bermuda whose ordinary shares are listed and traded on the Main Board of the Stock Exchange under stock code 43
“CPP Bye-laws”	the bye-laws of CPP for the time being
“CPP Directors”	the directors of CPP
“CPP Group”	CPP and its subsidiaries, including our Group
“CPP Ordinary Share(s)”	ordinary share(s) of US\$0.01 each in the capital of CPP
“CPP Ordinary Shareholder(s)”	registered holder(s) of the CPP Ordinary Shares
“CPP Overseas Shareholders”	CPP Shareholders whose registered addresses on the register of members of CPP at the close of business on the Distribution Record Date are in jurisdictions outside of Hong Kong, whom the CPP Directors, having made relevant enquiries, consider necessary or expedient to exclude from the entitlement to receive Shares under the Distribution on account either of the legal restrictions under the laws of the relevant jurisdiction or the requirements of the relevant regulatory body or stock exchange in that jurisdiction
“CPP Preference Share(s)”	restricted voting convertible preference share(s) of US\$0.01 each in the capital of CPP
“CPP Preference Shareholder(s)”	registered holder(s) of the CPP Preference Shares
“CPP Qualifying Shareholders”	CPP Shareholders whose names appear on the register of members of CPP on the Distribution Record Date, excluding CPP Overseas Shareholders
“CPP Share(s)”	CPP Ordinary Share(s) and CPP Preference Share(s)

DEFINITIONS

“CPP Shareholder(s)”	holder(s) of CPP Shares
“CTII”	Chia Tai International Investment Company Limited, a company incorporated in Hong Kong
“Director(s)”	the director(s) of our Company
“Distribution”	the payment of a special interim dividend by CPP to be satisfied by way of a distribution in specie of our Ordinary Shares to CPP Qualifying Shareholders who are CPP Ordinary Shareholders and our Preference Shares to CPP Qualifying Shareholders who are CPP Preference Shareholder(s) on the Distribution Record Date, subject to the satisfaction of the conditions described in the section headed “The Distribution and Spin-off” in this listing document
“Distribution Record Date”	29 June 2015, being the record date for ascertaining entitlements to the Distribution
“Dongfeng Electronic”	東風電子科技股份有限公司 (Dongfeng Electronic Technology Co. Ltd.*), a limited liability company established in the PRC and a joint venture partner in Zhanjiang Deni holding 52% equity interest
“Dongfeng Shiyuan”	東風(十堰)有色鑄件有限公司 (Dongfeng (Shiyan) Non-ferrous Casting Co. Ltd.*), a limited liability company established in the PRC and a wholly-owned subsidiary of Zhanjiang Deni
“ECI Machinery”	ECI Machinery Co., Ltd., a company incorporated in the BVI on 5 February 1999 with limited liability, a wholly-owned subsidiary of CP Enterprises
“ECI Metro Group”	ECI Metro Investment and its subsidiaries
“ECI Metro Investment”	ECI Metro Investment Co., Ltd., a company incorporated in the BVI on 2 November 1994 with limited liability, which is held as to 50% by ECI Machinery

DEFINITIONS

“ECI Metro Machinery & Power”	易初明通機電設備(四川)有限公司 (ECI Metro Machinery & Power Equipment (Sichuan) Co. Ltd.*), a limited liability company incorporated under the laws of the PRC on 17 December 2009 and a wholly-owned subsidiary of ECI Metro Investment
“ECI Metro Trading”	易初明通貿易(上海)有限公司 (ECI Metro Trading (Shanghai) Co. Ltd.*), a limited liability company incorporated under the laws of the PRC on 21 September 1998 and a wholly-owned subsidiary of ECI Metro Investment
“Gansu ECI Metro”	甘肅易初明通工程機械維修服務有限公司 (Gansu ECI-Metro Engineering Machinery Service Co. Ltd.*), a limited liability company incorporated under the laws of the PRC on 12 November 2001 and a wholly-owned subsidiary of ECI Metro Investment
“GAQSIQ”	General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局)
“GFA”	gross floor area
“Golden Industrial”	Golden Industrial Investment Limited (輝煌工業投資有限公司), a limited liability company incorporated under the laws of Hong Kong on 11 December 2007 and a wholly-owned subsidiary of our Company
“Group”, “we”, “our” or “us”	our Company and its subsidiaries after the Reorganisation or, where the context so requires, in respect of the period before our Company became their holding company, such subsidiaries or (if applicable) their predecessors
“Guangdong Rising”	廣東廣晟有色金屬集團有限公司 (Guangdong Rising Nonferrous Metals Group Co. Ltd.*), a limited liability company established in the PRC and a joint venture partner in Zhanjiang Deni holding 20%
“Guizhou ECI Metro”	貴州易初明通工程機械維修服務有限公司 (Guizhou ECI-Metro Engineering Machinery Service Co. Ltd.*), a limited liability company incorporated under the laws of the PRC on 9 May 1996 and a wholly-owned subsidiary of ECI Metro Investment

DEFINITIONS

“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC, in its capacity as nominee for HKSCC (or any successor thereto) as operator of CCASS and any successor, replacement or assign of HKSCC Nominees Limited as nominee for the operator of CCASS
“HOEL”	High Orient Enterprise Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of CPG
“HOEL Group”	HOEL and its connected persons, including CPF and its subsidiaries but excluding the CPP Group
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“IFRS”	International Financial Reporting Standards
“Independent Third Party”	any party who is not connected (within the meaning of the Listing Rules) with any director, chief executive or substantial shareholder of our Company or any of its subsidiaries or any of their respective associates
“ITOCHU Corporation”	ITOCHU Corporation, a company organised and existing under the laws of Japan whose shares are listed on the Tokyo Stock Exchange
“Jinhe Biotechnology”	Jinhe Biotechnology Company Limited (金河生物科技股份有限公司), an A-share listed company in the PRC
“Latest Practicable Date”	8 June 2015, being the latest practicable date for the purpose of ascertaining certain information contained in this listing document prior to its publication

DEFINITIONS

“Listing”	the listing of, and permission to deal in, our Ordinary Shares on the Main Board of the Stock Exchange by way of introduction
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about 3 July 2015, on which our Ordinary Shares are first listed and from which dealings in our Ordinary Shares are permitted to take place on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Macau”	Macau Special Administrative Region of the People’s Republic of China
“MEP”	Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部)
“Metro Tractor”	Metro Tractor Co., Ltd., a company organised and existing under the laws of the Kingdom of Thailand
“MIIT”	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
“MOA”	Ministry of Agriculture of the PRC (中華人民共和國農業部)
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“Ordinary Share(s)”	ordinary shares of US\$0.10 each in the capital of our Company, for which application will be made for the granting of listing, and permission to deal, on the Stock Exchange
“Ordinary Shareholder(s)”	holder(s) of Ordinary Share(s)
“PBOC”	The People’s Bank of China

DEFINITIONS

“PRC” or “China”	the People’s Republic of China, but for the purposes of this listing document only, except where the context requires, references in this listing document to PRC or China exclude Hong Kong, Macau and Taiwan
“PRC Government” or “State”	the government of China, including all governmental subdivisions (including provincial, municipal and other regional or local government entities)
“Predecessor Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong, as in force from time to time before 3 March 2014
“Preference Share(s)”	restricted voting convertible preference share(s) of US\$0.10 each in the capital of our Company
“Preference Shareholder(s)”	holder(s) of Preference Share(s)
“Pucheng Chia Tai”	浦城正大生化有限公司 (Pucheng Chia Tai Biochemistry Co., Ltd.), a contractual joint venture established under the laws of the PRC, which is held as to 36.6% by Chia Tai Pucheng and 33.1% by Chia Tai Huazhong
“Pucheng County Biochemical Factory”	地方國營福建省浦城縣生物化學廠 (Local State-owned Fujian Province Pucheng County Biochemical Factory*), a state-owned enterprise established in the PRC which holds 15.3% equity interest in Pucheng Chia Tai
“Qinghai ECI Metro”	青海易初明通工程機械維修服務有限公司 (Qinghai ECI-Metro Engineering Machinery Service Co. Ltd.*), a limited liability company incorporated under the laws of the PRC on 23 April 2002 and a wholly-owned subsidiary of ECI Metro Investment
“Remaining CPP Group”	the CPP Group following the Distribution, which will exclude our Group
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“Reorganisation”	the reorganisation of our Group in preparation for the Listing, details of which are set out in the section headed “History and Corporate Structure” in this listing document

DEFINITIONS

“SAFE”	the State Administration of Foreign Exchange of the PRC
“SAIC”	the State Administration for Industry and Commerce of the PRC
“SAT”	the State Administration of Taxation of the PRC
“SCNPC”	Standing Committee of the National People’s Congress (全國人民代表大會常務委員會)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“SGM”	the special general meeting of CPP held on 17 April 2015 for approving an amendment of the CPP Bye-laws, the Distribution and the adoption of the Share Option Scheme
“Shaanxi ECI Metro”	陝西易初明通工程機械維修服務有限公司 (Shaanxi ECI-Metro Engineering Machinery Service Co. Ltd.*), a limited liability company incorporated under the laws of the PRC on 6 November 2001 and a wholly-owned subsidiary of ECI Metro Investment
“Shanghai C. P.”	上海卜蜂工業貿易有限公司 (Shanghai C. P. Industrial Trading Co., Ltd.*) (formerly known as 上海易初工業貿易有限公司 (Shanghai Ek Chor Industrial Trading Co. Ltd.*)), a wholly-foreign-owned enterprise established under the laws of the PRC on 23 November 2005 and a wholly-owned subsidiary of CP Enterprises
“Shanghai Zhengcheng”	上海正誠機電製造有限公司 (Shanghai Zhengcheng Mechanical-Electrical Manufacturing Co. Ltd.*), a limited liability company established in the PRC which holds 0.3% equity interest in Pucheng Chia Tai
“Share(s)”	Ordinary Share(s) and Preference Share(s)

DEFINITIONS

“Share Option Scheme”	the share option scheme adopted on 18 March 2015 by CPP as our sole shareholder, the principal terms of which are summarised in the sub-section headed “General Information – Share Option Scheme” in Appendix III to this listing document
“Shareholder(s)”	holder(s) of our Shares
“Sichuan ECI Metro”	四川易初明通工程機械維修服務有限公司 (Sichuan ECI-Metro Engineering Machinery Service Co. Ltd.*), a limited liability company incorporated under the laws of the PRC on 17 May 1996 and a wholly-owned subsidiary of ECI Metro Investment
“Sichuan Yi Ming”	四川易明工程機械有限公司 (Sichuan Yi Ming Engineering Machinery Co. Ltd.*), a limited liability company incorporated under the laws of the PRC on 28 September 2010 and a wholly-owned subsidiary of ECI Metro Investment
“Sole Sponsor”	UBS Securities Hong Kong Limited, which is licensed to conduct type 1 (dealing in securities), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities under the SFO
“Spin-off”	the spin-off of our Company by CPP to be effected by way of the Distribution
“State Council”	State Council of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended or supplemented from time to time
“Track Record Period”	the three years ended 31 December 2014
“U.S.” or “United States”	the United States of America, its territories and possessions and all areas subject to its jurisdiction
“US\$” or “USD” or “U.S. dollars”	United States dollars, the lawful currency of the United States

DEFINITIONS

“Xinglv Gongyipin”	浦城縣興旅工藝品有限公司 (Pucheng County Xinglv Gongyipin Co. Ltd.*), a limited liability company established in the PRC which holds 0.5% equity interest in Pucheng Chia Tai
“Yunnan ECI Metro”	雲南易初明通工程機械維修有限公司 (Yunnan ECI-Metro Engineering Machinery Service Co. Ltd.*), a limited liability company incorporated under the laws of the PRC on 20 March 1995 and a wholly-owned subsidiary of ECI Metro Investment
“Zhanjiang Deni”	湛江德利車輛部件有限公司 (Zhanjiang Deni Vehicle Parts Co. Ltd.*) (formerly known as 湛江德利化油器有限公司 (Zhanjiang Deni Carburetor Co. Ltd.*)), a limited liability company incorporated under the laws of the PRC, which is held as to 28% by Golden Industrial
“Zhengzhou Jinyuweiye”	鄭州金玉偉業投資有限公司 (Zhengzhou Jinyuweiye Investment Co. Ltd.*), a limited liability company established in the PRC which holds 14.2% equity interest in Pucheng Chia Tai
“Zhumadian Huazhong”	駐馬店華中正大有限公司 (Zhumadian Huazhong Chia Tai Co., Ltd.), a limited liability company incorporated under the laws of the PRC on 13 December 1995 and a wholly-owned subsidiary of Pucheng Chia Tai
“%”	per cent.

A reference in this listing document to our “**key U.S. customer**” means, in respect of the period up to the acquisition in October 2014 by Jinhe Biotechnology (through its U.S. subsidiary) of the operating assets of our largest customer in the United States during the Track Record Period (as described under the section headed “Business – Our Biochemical Business – Customers” in this listing document), such largest customer in the United States and, in respect of the period after such acquisition, the U.S. subsidiary of Jinhe Biotechnology which acquired these assets.

In this listing document, unless the context otherwise requires, the terms “**associate**” (other than for the purposes of Appendix I to this listing document), “**close associate**”, “**connected person**”, “**connected transaction**”, “**controlling shareholder**”, “**core connected person**”, “**subsidiary**” and “**substantial shareholder**” shall have the meanings given to such terms in the Listing Rules.

DEFINITIONS

In this listing document, unless the context otherwise stated, certain amounts denominated in Renminbi have been translated into USD at exchange rates prevailing at the relevant times for illustrative purposes only. Such conversions shall not be construed as representations that amounts in Renminbi were or could have been or could be converted into USD at such rates or any other exchange rates.

Certain amounts and percentage figures included in this listing document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

The English names of PRC nationals, enterprises, entities, departments, facilities, certificates, titles and the like are translations of their Chinese names and are marked with “*” for identification purposes only.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms and definitions used in this listing document in connection with our Company and our business. As such, these terms and definitions and their given meanings may not correspond to standard industry meaning or usage of these terms.

“Animal Drugs GMP”	Good Manufacturing Practice (《獸藥生產質量管理規範》), which is promulgated by the MOA and is a set of standards relating to quality management of the manufacture of animal drugs in the PRC
“Animal Drugs GSP”	Good Supply Practice (《獸藥經營質量管理規範》), which is promulgated by the MOA and is a set of standards relating to quality management of the distribution of animal drugs in the PRC
“building ownership certificate”	building ownership certificate in the PRC issued to the building owner evidencing that the building owner has obtained building ownership rights in respect of the building
“CTC”	Chlortetracycline, a tetracycline broad-spectrum antibiotic with chemical formula $C_{22}H_{23}ClN_2O_8$
“CTC HCL”	Chlortetracycline Hydrochloride, a tetracycline broad-spectrum antibiotic with the chemical formula $C_{22}H_{23}ClN_2O_8 \bullet HCl$, with a labelled amount of chlortetracycline as $\geq 89.5\%$
“CTC Premix”	formerly known as feed-grade CTC, a mixture prepared by the whole broth of chlortetracycline-producing bacteria with an appropriate amount of calcium carbonate
“FDA”	the Food and Drug Administration, an agency of the United States Department of Health and Human Services responsible for protecting and promoting public health through the regulation and supervision of food safety, pharmaceutical drugs and veterinary products
“ISO”	the International Organisation for Standardization, a non-government organisation based in Geneva, Switzerland, for assessing the quality of business organisations

GLOSSARY OF TECHNICAL TERMS

“land use right certificate”	PRC state-owned land use right certificate issued by a local real estate and land resources bureau with respect to land use rights
“sq.m.”	square metre
“ton(s)”	metric ton(s)
“Tylosin”	a macrolide antibiotic with the chemical formula $C_{46}H_{77}NO_{17}$, extracted from the fermentation of <i>Streptomyces Fradia</i> with potency of minimum 800 IU/mg (dried substance)

FORWARD-LOOKING STATEMENTS

FORWARD-LOOKING STATEMENTS CONTAINED IN THIS LISTING DOCUMENT ARE SUBJECT TO RISKS AND UNCERTAINTIES

This listing document contains forward-looking statements. All statements other than statements of historical fact contained in this listing document, including, without limitation, (a) the discussions of our business strategies and expectations regarding our future operations, margins, profitability, liquidity and capital resources, (b) the future development of the biochemical and industrial industries and the future development of the general economy of the key markets in which we operate and (c) any statements preceded by, followed by or that include words and expressions such as “expect”, “believe”, “plan”, “intend”, “estimate”, “project”, “anticipate”, “seek”, “may”, “will”, “would” and “could” or similar words or statements, as they relate to our Group or our management, are intended to identify forward-looking statements.

These statements are based on assumptions regarding our present and future business, our business strategies and the environment in which we will operate. These forward-looking statements reflect our current views as to future events and are not a guarantee of our future performance. Forward-looking statements are subject to certain known and unknown risks, uncertainties and assumptions, including the risk factors described in the section headed “Risk Factors” in this listing document, which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this listing document, whether as a result of new information, future events or developments or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this listing document might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this listing document are qualified by reference to the cautionary statements set out in this section.

In this listing document, statements of or references to our intentions or that of any of the Directors are made as at the date of this listing document. Any of these intentions may change in light of future developments.

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You should carefully consider all of the information set out in this listing document, including the risks and uncertainties described below. You should pay particular attention to the fact that our Company is incorporated in Bermuda and that almost all of our Group's operations are conducted in China and are governed by a legal and regulatory environment that in some respects differs from those that prevail in other countries. Our business, financial condition or results of operations could be affected materially and adversely by any of these risks. In that event, the trading price of our Shares could decline. You could lose part or all of your investment.

We believe that there are certain risks involved in our operations. Many of these risks are beyond our control and can be categorised into: (i) risks relating to the businesses in which our Group is involved; (ii) risks relating to our group structure and our corporate structure; (iii) risks relating to the PRC; (iv) risks relating to the Spin-off; and (v) risks relating to statements made in this listing document.

RISKS RELATING TO THE BUSINESSES IN WHICH OUR GROUP IS INVOLVED

A. Risks relating to the biochemical business of our Group

Changes in livestock farming practice, improvement in hygiene conditions of farming environment, advancement in biochemical technology or increased public concerns on the consumption of livestock fed with feed to which antibiotics are added may lead to reduced demand for our CTC products.

CTC has been commonly used by feed mills as feed additives to promote healthy growth of livestock, to prevent or cure animal diseases in livestock farming and to improve overall feed efficiency. It is possible that livestock farming practice may change in the future due to an improvement in technology or other factors. A farming environment with better hygiene conditions will minimise the chances of disease outbreaks in livestock, the potential restriction in usage of livestock antibiotics in livestock farming in various countries, or increased public concerns on the consumption of livestock fed with feed to which antibiotics are added would result in the reduction of antibiotics or medications used in livestock farming. Developments in biochemical technologies may also result in successful invention of other animal antibiotics which are cheaper, more reliable and can serve functions which are similar or even better than those of CTC. In such event, the demand for our CTC products would be reduced and our business, financial condition and operating results could be adversely affected.

Our business, financial condition and operating results may be materially and adversely affected if the supply of raw materials is disrupted or if there is a substantial increase in the prices of our raw materials.

The principal raw materials of our biochemical business are corn starch, yeast, peanut meal and soybean meal which are used to manufacture our CTC products. For each of the three years ended 31 December 2012, 2013 and 2014, our total cost of raw materials amounted to

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approximately USD49.1 million, USD44.1 million and USD40.1 million, representing 53.0%, 51.6% and 50.5% of the total cost of sales of our biochemical business, respectively. We typically do not enter into supply agreements with our major suppliers with contract terms of more than one year. We cannot assure you that our existing suppliers will continue to supply materials to us and, if so, at prices and on terms and conditions acceptable to us in the future. The availability and prices of the necessary raw materials for our CTC products may also be adversely affected by factors beyond our control, such as weather conditions, natural disasters or a sudden surge in demand. Any of the foregoing factors can affect the supply of our raw materials or increase our raw material costs. If the supply of raw materials is disrupted to a material degree or if there is a substantial increase in the prices of our raw materials, and we are not able to purchase the raw materials with the same quality from alternative suppliers at competitive prices or to transfer such material price increase to our customers, our business, financial condition and operating results may be materially and adversely affected.

The outbreak of animal diseases, including the avian flu or other similar epidemics, could adversely affect our biochemical business.

Historically, certain Asian countries, including the PRC, have been affected by animal diseases including the foot-and-mouth disease, blue-ear pig disease (also known as porcine reproductive and respiratory syndrome), H5N1 Flu (Avian Flu) or H1N1 Flu (Swine Flu). The avian influenza, in particular subtype H5N1, is a type of disease which affects poultry and may, in certain circumstances, be transmitted to humans and become fatal. For instances, in April 2009, a strain of Swine Flu (also known as Influenza A H1N1) broke out in Mexico and spread globally, resulting in the loss of lives and widespread fear. In April 2013, an outbreak of Avian Flu, subtype H7N9, broke out in Shanghai and spread to nearby eastern regions as well as other regions of the PRC, also resulting in the loss of lives and widespread fear. Past occurrences of epidemics, depending on their scale, have caused different degrees of damage to national and local economies around the world. During the outbreak of avian influenza in the PRC, a large number of poultry were exterminated, and the sales of chicken products in the PRC dropped significantly because of the general fear amongst the public that poultry consumption could result in human infection. Similarly, the outbreak of disease affecting swine may lead to general fear amongst the public that consuming contaminated pork products could result in human infections, which in turn may result in a significant drop in the sales of pork products in the PRC. Any decrease in the population of swine or poultry and/or any reduction in the demand for pork and/or chicken products will lead to a decrease in demand for our CTC products. A recurrence of an outbreak of Avian Flu, Swine Flu or any other epidemics affecting the industries relating to the businesses in which we are involved could materially lower the sales of our CTC products, which in turn could have a material adverse effect on our business, results of operations and financial condition.

A substantial amount of our revenue is derived from the sales of CTC Premix.

Over the Track Record Period, sales of CTC Premix represented from 79.7% to 80.8% of our revenue. The remainder of our revenue was principally derived from sales of CTC HCL. We expect that CTC Premix will continue to account for a substantial portion of our revenue in the foreseeable future. Due to such revenue concentration, an investment in our Company

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may entail more risks than investments in other companies that are not as reliant on sales of a single product. Any factors adversely affecting the pricing of, demand for, consumer preferences for or market acceptance of CTC Premix, including increased competition or negative findings or publicity on the effects of our CTC products, could cause our revenue to decline and our business and future operating results to suffer.

We are subject to risks associated with our exports to the United States and other countries outside the PRC.

For each of the three years ended 31 December 2012, 2013 and 2014, the United States generated 32.2%, 31.1% and 22.8% of our total revenue, respectively. In addition, our CTC products are also sold outside the PRC to countries in Europe, Asia, Africa and South America. For each of the three years ended 31 December 2012, 2013 and 2014, revenue derived from sales outside of the PRC totaled USD96.1 million, USD91.5 million and USD79.7 million, respectively, accounting for 72.7%, 74.9% and 68.0% of the total revenue of our biochemical business, respectively. Our international sales are subject to various risks related to legal, economic or political uncertainties in the export markets, including among others:

- general economic and political conditions;
- imposition of tariffs, quotas, trade barriers and other trade protection measures imposed by foreign countries and the increase in these types of restrictions;
- import or export licensing requirements imposed by various foreign countries and the renewal of these import or export licenses;
- rules and regulations imposed by various foreign countries to restrict the business operations of non-citizens;
- consumption trends in developed markets moving away from the consumption of products from animals treated with antibiotics;
- the closing of borders by foreign countries to the import of our CTC products due to, among other things, animal disease or other health or safety issues;
- difficulties and costs associated with complying with, and enforcing remedies under, a wide variety of complex domestic and international laws, treaties and regulations, including the U.S. Foreign Corrupt Practices Act;
- different regulatory structures and unexpected changes in regulatory environments;
- earnings that may be subject to withholding tax requirements, higher tax rates and incremental taxes upon repatriation;
- potentially negative consequences from changes in tax laws;

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- distribution costs, disruptions in shipping or reduced availability of freight transportation; and
- fluctuations in selling prices and margins on our international sale.

Negative consequences relating to these risks and uncertainties could jeopardize or limit our ability to transact business in one or more of the markets where we sell our CTC products and could materially and adversely affect our business, financial condition, results of operations and prospects.

We rely on a key customer for a substantial portion of our sales in the United States.

A substantial amount of CTC products exported by us to the United States are sold directly to a key customer in the United States, which is also our largest customer accounting for approximately 27.3%, 26.7% and 22.3% of the total revenue of our biochemical business for each of the three years ended 31 December 2012, 2013 and 2014, respectively. Please refer to the section headed “Financial Information” for further details.

On 15 October 2014, Jinhe Biotechnology, which according to QYResearch is one of the other major global CTC manufacturers besides our Group, announced that through its U.S. subsidiary it entered into an agreement to acquire all of the operating assets of the above-mentioned key U.S. customer and that it would take over all of its customers and staff. On 31 October 2014, Jinhe Biotechnology announced the completion of this acquisition. In the past, this key U.S. customer placed purchase orders with us on an annual basis at the end of each preceding calendar year. Following the acquisition by Jinhe Biotechnology through its U.S. subsidiary, such purchase orders, now being issued by that U.S. subsidiary, have so far been placed with us on a quarterly basis. As disclosed in the section headed “Financial Information – Recent Developments” in this listing document, based on our unaudited financial information for the three months ended 31 March 2015, our biochemical business recorded a decrease in our CTC products sales volume to this key U.S. customer in this three month period. We have received purchase orders from this key U.S. customer for each of the second and third quarters of 2015, pursuant to which the corresponding sales volume to this key U.S. customer is expected to increase as compared to the first quarter of 2015. As this key U.S. customer is now owned by a major competitor of our Group in the CTC industry, there is no assurance that our business relationship with this key U.S. customer in the longer term will remain stable. If in the future this key U.S. customer reduces to a material extent the amount of purchase orders placed with us, ceases to place purchase orders with us or fails to settle the amount due to us promptly and we are unable to offset any loss of sales volume to this key U.S. customer by corresponding gain in sales volume to other existing or new customers, our operating results and financial condition could be materially and adversely affected.

Our research and development activities may not yield the benefits that we expect.

We position ourselves as a provider of high-quality CTC products. Our success has relied in part on our research and development capabilities. The market for our CTC products is characterised by continuous technological developments to provide CTC products of better

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quality. Our ability to enhance the quality and performance of our CTC products and to launch new products will depend on our research and development capabilities. Our research and development activities also explore alternative antibiotic products and new kinds of veterinary medicine. Research and development activities require considerable human resources and capital investment. Our research and development efforts may not be successful or yield the anticipated level of economic benefits. Even if our research and development efforts are successful, we may not be able to apply these newly developed technologies to CTC products that will be accepted by the market or apply them in a timely manner to take advantage of the opportunities presented in the market, or succeed in developing alternative antibiotic products or new kinds of veterinary medicine accepted by the market. Furthermore, the market demand expected at the development stage may not materialise or the market may not accept our new products when we introduce them. The level of economic benefit that can be derived from newly developed technologies or products may be affected by how quickly our competitors can replicate these technologies or products or develop newer or cheaper alternatives. If our technologies or products are replicated, replaced or made redundant in a manner that we did not anticipate, our revenue may not offset the costs that we have incurred in developing the new technologies. Furthermore, if we are unable to maintain or enhance our research and development capabilities to keep our CTC products at the high-end in terms of product quality, or if we are not able to anticipate trends in technological or product developments and rapidly develop new and innovative technologies or CTC products or alternative antibiotic products required by our customers, we may not be able to produce sufficiently advanced products at competitive prices, which in turn may have a material and adverse impact on our business, financial position and results of operations.

Our biochemical business may face intense competition from other CTC producers and/or substitutes.

We face intense competition from other CTC producers and there is no assurance that our biochemical business will be able to compete successfully or that we will effectively control our costs and efficiency of production in the future. New competitors may also generate new brand attraction, leading to the loss of our existing clients and negatively impacting our market share. In addition, there is no assurance that our competitors will not engage in irrational or predatory pricing behaviour to capture additional market share or substantially expand their production capacities potentially resulting in an oversupply of the overall volume of CTC produced, causing a reduction in market prices for CTC products. Increased competition may result in price reductions, reduced profit margins and loss of customers and market share, any of which could adversely affect our operating results and profitability.

Furthermore, other antibiotics for livestock such as oxytetracycline, amoxicillin, olaquinox, doxycycline and other health care products for livestock can also, to a certain extent, act as substitutes for CTC products. There is thus a certain degree of competition among different types of veterinary antibiotics. In addition, different kinds of low-cost substitutes with minimal side effects may be discovered and produced in the future, thus potentially reducing the market share of our CTC products.

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We may experience difficulties in expanding the sales of our CTC products into additional overseas markets.

To continue to grow our business, we plan to expand our CTC business in terms of products, geography and services. Our CTC products are currently sold in the PRC and to overseas markets such as the United States and countries in Europe, Asia, Africa and South America. However, entry into additional overseas markets may expose us to a number of risks, including but not limited to:

- differences in legal and regulatory environments and requirements;
- higher costs and longer time involved in complying with a variety of foreign laws and regulations, including delays or difficulties in obtaining import and export licenses and approvals and unexpected changes in trade restrictions and economic sanctions, which divert our resources from focusing on existing established markets instead;
- reduced protection for intellectual property rights in some jurisdictions;
- longer accounts receivable collection periods and greater difficulty in accounts receivable collection;
- difficulties in entering new markets and establishing recognition of our products, including reliance on local agents and distributors for our marketing and sales, and difficulties in obtaining required certifications for our products in these new overseas markets;
- changes in political and economic conditions; and
- potentially adverse tax and currency consequences.

Expanding the sales of our CTC products beyond our current overseas markets may require the deployment of additional human and financial resources to manage these risks. These additional resources may not be available to us in a timely manner, or at all. We cannot assure you that our expansion plans will be successful. If such expansion plans do not achieve the success that we expect, our business, financial condition and results of operations may be materially and adversely affected.

We may be subject to liability in connection with the side effects on livestock fed with our CTC products and the health of human beings after consumption of such livestock.

All our CTC products are approved under, and in compliance with the laws of the PRC and countries to which we export our CTC products. However, there may be side effects on livestock fed with our CTC products not captured by the scope of current regulations or which remain undiscovered. According to the Use of Veterinary Drugs Guide published by the

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Veterinary Pharmacopoeia Commission of the PRC in 2010, CTC consumption in high dosage may cause the following side effects on livestock: (i) stimulation to the digestive system which may lead to vomit; (ii) disturbance to the intestinal bacterial system which may lead to diarrhea; (iii) adverse effects to the growth of teeth and bones; (iv) damage to the liver, kidney and heart; and (v) anti-metabolic effects. Although livestock fed with our CTC products contains a residue of CTC and we do not know whether human health may be affected after consumption of livestock products treated with our CTC products if the CTC residue exceeds PRC national limits. In the event that our CTC products have caused side effects which affect human health, our Group may incur additional costs in defending legal proceedings or claims brought against us and our goodwill may be affected by negative publicity. Any claim against us, regardless of their merit, could strain our finance resources and thus materially and adversely affect our financial condition, in addition to consuming the time and attention of our management.

Our biochemical business is required to comply with environmental protection laws and regulations which may become more stringent.

Our biochemical business is required to comply with applicable environmental protection laws and regulations in the PRC which govern the standards of air pollution, waste water discharge and noise emissions. Local PRC government and authorities generally have the authority delegated by relevant laws and regulations to impose penalties on companies failing to comply with the relevant environmental protection laws and regulations.

During the production process of our biochemical business, waste water, waste gas and coal slag are regularly discharged. In order to comply with relevant laws and regulations in the PRC, we have installed waste treatment facilities in our production plants to handle such discharges. Notwithstanding the above, there is no guarantee that we will be able to, at all times, be in full compliance with all laws and regulations, which can change over time. For instance, Zhumadian Huazhong was in May 2014 included by the Department of Environmental Protection of Henan Province in the environmental protection blacklist for failing to rectify its breach of certain environmental protection laws within the specified time limit and had to take corrective measures before being formally removed from the environmental protection blacklist by the Department of Environmental Protection of Henan Province. (Please refer to the section headed “Business – Legal Compliance and Proceedings” for further details.) Furthermore, the PRC government is moving towards more rigorous enforcement of applicable environmental laws and regulations and towards imposing more stringent environmental standards. In addition to the existing environmental protection laws and regulations, the PRC government may promulgate new and stricter environmental protection laws and regulations towards the biochemical industry in the future which may apply to our biochemical business. As a result, our compliance with such legal requirements will become more burdensome and we may incur additional costs in our production process and operations, which may ultimately adversely affect our production and results of operations.

In the event that the operations of our CTC production plants are found to have breached any applicable PRC environmental protection law or regulation, we will be required to rectify such non-compliance and to compensate the entities or individuals who have suffered from

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direct losses caused by such non-compliance, and we may be subject to fines and remedial measures. This may materially and adversely affect our business and financial performance. In addition, we may incur additional costs in our production process and operations in order to rectify breaches and our budget for the cost of environmental regulatory compliance may not be sufficient. We may need to allocate additional funds for such purpose, which may materially and adversely affect our operation and financial performance.

The preferential income tax treatment that we enjoy in the PRC may be altered or terminated.

We enjoy certain preferential income tax rates in relation to our biochemical business operations in the PRC. Pucheng Chia Tai and Zhumadian Huazhong are qualified as “High and New Technology Enterprises” under applicable PRC tax law. As such, Zhumadian Huazhong benefited and Pucheng Chia Tai has been benefiting from a preferential 15% income tax rate, as compared to a 25% tax rate generally applicable to taxable income pursuant to PRC corporate income tax law, up to the end of 2014 and the end of 2015, respectively. Zhumadian Huazhong has applied for the renewal of such preferential tax treatment and Pucheng Chia Tai can make a similar application for renewal after the expiry of the current preferential tax treatment. There is no assurance that Zhumadian Huazhong’s application for the renewal of the preferential tax treatment will be granted or that any similar application for renewal by Pucheng Chia Tai will be granted. There is also no assurance any preferential tax treatment that we may enjoy for the time being will not be altered or terminated. Any alteration or termination of our current tax exemptions and/or failure to have the preferential tax treatment renewed could have a material adverse effect on our business, financial condition, results of operations and prospects.

B. Risks relating to the industrial business in which our Group is involved

The industrial business in which our Group is involved is highly competitive.

The industrial business in which our Group is involved is highly competitive. The major competitors of ECI Metro Group include other sellers of heavy machinery manufactured by Sany, Komatsu, Kobelco, Hitachi and Doosan, which are considered by our Directors to be in competition with the Caterpillar Products. Some of these heavy machinery manufacturers and/or the sellers of their products may have product quality, cost and/or other advantages and as a result offer more attractive and/or more competitively priced products than the Caterpillar Products. In addition, they may have better brand name recognition, a larger customer base and/or a more comprehensive sales network. Any of the above factors could enable the sellers of the products of these other heavy machinery manufacturers to have a competitive advantage over the ECI Metro Group.

The market position of Zhanjiang Deni as one of the leading manufacturers of motorcycle carburetors in the PRC depends on its ability to anticipate and quickly respond to competitive factors including acting quickly to meet the needs of its customers, the introduction of new or improved products by its competitors, pricing strategies adopted by its competitors and

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changes in its customers' preferences. Zhanjiang Deni cannot be assured that its current and potential competitors will not offer products that are comparable or superior to its products, at the same or lower prices, or adapt more quickly to evolving industry trends or market requirements. Zhanjiang Deni may lose customers to its competitors if, among other things, it fails to keep the prices of its products at competitive levels for comparable products or if it is unable to differentiate itself from its competitors. Increased competition may result in price reductions, lower gross profit margins and loss of market share for Zhanjiang Deni.

Any change in the distributorship between ECI Metro Group and Caterpillar may significantly affect the business of ECI Metro Group.

As the sales distributor for Caterpillar Products with its service territory covering the western part of the PRC (excluding the Xinjiang Uyghur Autonomous Region), ECI Metro Group relies solely on Caterpillar to supply a full range of Caterpillar Products, including excavators, power generators, bulldozers and compactors, as well as spare parts. While this distribution arrangement has continued and its geographical scope has been substantially extended, this distributorship appointment is for an indefinite term and either ECI Metro Group or Caterpillar may terminate the distribution agreement by giving not less than 90 days' prior written notice to the other party. There is no assurance that Caterpillar will not engage additional distributors to sell its products in the western part of the PRC in the future, or to continue to appoint or terminate the distribution agreement with ECI Metro Group at all. The occurrence of any of the above situations could materially and adversely affect the financial condition and operating results of ECI Metro Group.

ECI Metro Group relies on one key customer and the loss of such customer may have a material and adverse effect on its business, financial position and results of operations.

To help ultimate customers finance their purchase of Caterpillar Products, ECI Metro Group enters into certain financing arrangements with CCFL. CCFL provides financial leasing services to customers who require financing to purchase Caterpillar Products from ECI Metro Group to enable these customers to purchase Caterpillar Products which ECI Metro Group will first sell to CCFL. As a result of these arrangements, ECI Metro Group relies on CCFL as a key customer, which provides financial leasing service to other customers of ECI Metro Group and alone accounted for approximately 63.3%, 65.1% and 67.8% of the total revenue of ECI Metro Group for each of the three years ended 31 December 2012, 2013 and 2014, respectively. There is no assurance that CCFL will continue to offer these types of financial leasing arrangements. If CCFL ceases to provide financial leasing services to customers of the ECI Metro Group or CCFL fails to repay amounts due to ECI Metro Group promptly or at all, the operating results and financial condition of ECI Metro Group could be adversely and materially affected.

ECI Metro Group bears certain credit risks under the financing arrangements with CCFL if the ultimate customer defaults in repayment to CCFL.

Under the financing arrangements with CCFL in connection with the sale of Caterpillar Products by ECI Metro Group to ultimate customers with financing from CCFL, the ultimate customer has to repay the financed amount to CCFL monthly and the title of the Caterpillar

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Product remains with CCFL until the ultimate customer has completely discharged his repayment obligations and exercised his option to purchase at a nominal amount, upon which CCFL will transfer the ownership of the Caterpillar Product to the ultimate customer. Such financing arrangements expose ECI Metro Group to certain ultimate customer credit risks. If the ultimate customer defaults in repayment to CCFL, ECI Metro Group has to share with CCFL its loss. The share which ECI Metro Group had to bear in aggregate for each of the three years ended 31 December 2012, 2013 and 2014 accounted for less than 1.0% of the total revenue of ECI Metro Group of each of the respective period. Please refer to the section headed “Business – The Industrial Business in which our Group is Involved – ECI Metro Group – Customers” in this listing document for further details. As a result, the business, operating results and prospects of ECI Metro Group could be materially and adversely affected.

We have provided a guarantee in favour of CCFL in respect of the obligations of the ECI Metro Group to CCFL and we may become liable to CCFL if the ECI Metro Group defaults on its obligations towards CCFL.

As discussed in the section headed “Business – The Industrial Business in which our Group is Involved – ECI Metro Group – Guarantee in favour of CCFL”, our Company has provided a guarantee of up to the maximum amount of US\$50.6 million in favour of CCFL in respect of the indebtedness of the ECI Metro Group under a credit facility granted by CCFL for each of the two years ended 31 December 2012 and 2013 and the ten months ended 31 October 2014. In the event that ECI Metro Group draws down on the credit facility and is for the time being in default in respect of its obligation to CCFL, our contingent liabilities will increase accordingly, up to a cap of US\$50.6 million. Our contingent liabilities for such guarantee were US\$2.8 million, nil and nil as at 31 December 2012, 2013 and 2014, respectively. As we have joint control over the joint venture ECI Metro Investment only, we cannot on our own control the ECI Metro Group to fulfil its obligations under the credit facility from CCFL. As a result, if the ECI Metro Group is in default under the credit facility, CCFL may make a demand for repayment under the guarantee and we will have to repay the obligation owed by the ECI Metro Group to CCFL, up to the maximum amount of US\$50.6 million. There can be no assurance that defaults will not occur in the future or that we will not suffer any loss as a result of such defaults. In addition, we cannot assure you that we will not be subject to guarantee-related risks. Should any material default occur and if we were called upon to honour our guarantee, our financial condition and results of operations could be adversely affected.

Supply and demand for Caterpillar Products in the PRC are largely driven by infrastructure projects in the western part of the PRC and construction and mining projects in the PRC generally and any changes in the Western China Development or affecting the mining and construction industries in the PRC may significantly affect the sales of Caterpillar Products by ECI Metro Group.

ECI Metro Group is the sales distributor for Caterpillar Products with its service territory covering the western part of the PRC (excluding the Xinjiang Uyghur Autonomous Region) where the Western China Development was implemented by the PRC government in 2000. Most of ECI Metro Group’s customers are engineering contractors engaged in infrastructure

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projects in the mining, railroad and road construction industries in that region. A slowdown in the PRC economy may delay the progress of the infrastructure development in the western part of the PRC, which in turn may reduce the demand for Caterpillar Products in the western part of the PRC which is largely driven by infrastructure projects. There is also no assurance that the PRC government will not adjust or change its policies on Western China Development in the future. Any new policies on Western China Development that are not favourable to the progress of the infrastructure development in the western part of the PRC would negatively impact the demand in that region for, and hence the sales of, Caterpillar Products. In addition, any factors affecting the development and growth of the construction and mining industries in the PRC generally, including any economic policy changes indirectly affecting those industries and demand for construction and mining equipment, may impact the sales of Caterpillar Products. For example, the revenue of ECI Metro Group for the year ended 31 December 2014 decreased compared to the same period in 2013, principally as a result of a decrease in development projects in the western part of the PRC, which led to a decreased demand for machinery and thus resulting in decrease in profits generated by ECI Metro Investment in the year ended 31 December 2014. As disclosed in the section headed “Financial Information – Recent Developments” in this listing document, based on the unaudited financial information of ECI Metro Group for the three months ended 31 March 2015, there was a significant reduction in the revenue of ECI Metro Group for the three month period compared to the same period in the previous year as a result of a downturn in the growth of the industrial sector in the western part of the PRC due to the slowing economic growth in that region. If any of these negative factors affecting the construction equipment industry in which ECI Metro Group operates is to continue, the business, operating results and prospects of ECI Metro Group may be materially and adversely affected.

The future success of ECI Metro Group depends on its ability to anticipate and respond in a timely manner to changes in demand for Caterpillar Products by infrastructure engineering contractors in the western part of the PRC.

The success of ECI Metro Group depends on its ability to supply a full range of Caterpillar Products demanded by the infrastructure projects in the western part of the PRC (excluding the Xinjiang Uyghur Autonomous Region). The demand for Caterpillar Products by infrastructure engineering contractors in the western part of the PRC may change over time. For instance, in the event that the competitors of ECI Metro Group offer less expensive alternatives to Caterpillar Products, or engage in aggressive pricing in order to increase their market share, or are capable of supplying heavy machinery with superior performance, functions or efficiency, ECI Metro Group could lose customers to its competitors. ECI Metro Group needs to be able to continue to supply Caterpillar Products that will meet the changing needs of the customers. In addition, ECI Metro Group must ensure that the range of Caterpillar Products supplied by it can meet the needs of engineering contractors engaged in infrastructure projects in the western part of the PRC while maintaining the cost effectiveness, image and reliability of Caterpillar Products. If ECI Metro Group is unable to anticipate and respond in a timely manner or is unable to supply Caterpillar Products to compete with its competitors, or if ECI Metro Group’s customers lose confidence in the safety and quality of Caterpillar Products, the demand from those customers for Caterpillar Products may decrease, and the business, financial condition and operating results of ECI Metro Group may be adversely affected.

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The business of Zhanjiang Deni may be affected by several factors, including the demand for motorcycles manufactured in the PRC and the development of the automobile industry in the PRC.

Zhanjiang Deni manufactures motorcycle carburetors which are mainly sold to motorcycle manufacturers in the PRC. The revenue and profitability of Zhanjiang Deni is highly dependent on the demand for motorcycles in the PRC and in the export countries to which PRC manufacturers sell their motorcycles. There is no assurance that demand for Zhanjiang Deni's products will grow or continue at the same level as at present, or at all, and in the event that the demand for motorcycles produced by PRC motorcycle manufacturers decreases, Zhanjiang Deni's financial condition and operating results may be materially and adversely affected.

In addition, Zhanjiang Deni's financial performance is partly dependent upon the development of the automobile industry in the PRC and the upward trend of outsourcing the manufacture of automotive parts to the PRC, both of which could be affected by a number of factors. For example, since the automotive parts manufactured by Zhanjiang Deni are mainly sold to automobile manufacturers with Japanese shareholders such as Dongfeng Honda and Dongfeng Nissan, the political tension between the PRC and Japan in recent years may reduce the demand in the PRC for Japanese cars and cars made by Chinese-Japanese joint ventures. This could materially adversely affect the sales of automotive parts as well as the future performance of Zhanjiang Deni. There is no assurance that the growth of the automobile industry will continue at current rates, or at all, or that the trend of outsourcing the manufacture of automotive parts will continue.

Zhanjiang Deni may encounter unexpected difficulties in further expanding its product portfolio.

To capture a wider spectrum of customers, Zhanjiang Deni intends to further expand its product portfolio by strengthening its research and development capabilities and establishing a dedicated team to manufacture additional types of automotive parts. Entry into new market segments requires additional capital and market experiences and also requires Zhanjiang Deni to build a different sales network, establish new customer and supplier relationships and retain additional qualified personnel. Furthermore, developing new automotive parts will require Zhanjiang Deni to undertake additional research and development, and acquire new equipment, all of which require additional financial and management resources which may not be available to Zhanjiang Deni in a timely manner, or to the extent required. These and other associated risks may make the intended expansion into the manufacture of additional types of automotive parts difficult for Zhanjiang Deni. There is no assurance that the intended expansion of Zhanjiang Deni into other segments of the automotive parts industry will be successful.

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C. Risks relating to the overall businesses in which our Group is involved

The industries relating to the biochemical and industrial businesses in which we are involved may be adversely affected by fluctuations in the global economy and financial markets.

The industries relating to the biochemical and industrial businesses in which we are involved may be adversely affected by changes in national or global economic conditions and local economic conditions in the markets in which we operate, including GDP growth, inflation, interest rates, availability of and access to capital markets, consumer spending rates, energy availability and costs (including fuel surcharges) and the effects of governmental initiatives to manage economic conditions. Any such changes could adversely affect the demand for our CTC products, Caterpillar Products as well as products of Zhanjiang Deni or the cost and availability of necessary raw materials, thereby negatively affecting our financial condition and results of operation.

Disruptions and instability in credit and other financial markets and deterioration of national and global economic conditions, could, among other things:

- make it more difficult or costly for us to obtain financing for our operations or investments or to refinance our debt;
- impair the financial condition of some of our customers or suppliers, thereby increasing customer bad debts or non-performance by suppliers, negatively impacting our treasury operations;
- negatively impact global demand for our CTC products, Caterpillar Products as well as products of Zhanjiang Deni, which could result in an overall reduction of sales, operating income and cash flows; and
- impair the financial viability of our insurers.

We may fail to obtain or renew various licences and permits necessary for our business operations in the PRC and for the export of our CTC products, as a result of which our business and prospects would be materially and adversely affected.

In accordance with applicable PRC laws and regulations, we are required to obtain and maintain various licences and permits in order to commence and operate our biochemical and industrial businesses at our production facilities. See “Business” for details of the licences and permits necessary for our business operations. In addition, in order to export and sell our CTC products overseas, we need to obtain various government approvals and comply with applicable standards in relation to our production processes, premises and CTC products in the countries where we sell our products. We are required to pass the quality standards set by the FDA and have obtained the Certificate of GMP Compliance of a Manufacturer issued by the Department for Education, Science and Health of Germany to export and sell our CTC products in the United States and certain European countries, respectively. Although we currently have

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all necessary licences and permits, there is no assurance that each licence or permit necessary for our business operations and export activities will be successfully renewed by us on time, or at all. The eligibility criteria for such licences and permits may change from time to time and may become more stringent. In addition, new requirements for the grant or renewal of such licences and permits may come into effect in the future. The introduction of any such new and/or more stringent laws or regulations may significantly escalate our compliance and maintenance costs or may limit or even prohibit our Group to continue our existing operations or expand our business. Moreover, the relevant importing jurisdiction may change its regulations or policies in respect of the import approval or license requirements at any time to our detriment. For example, it may make import rules more burdensome or stricter, or may relax regulations to allow more entities to import, thus increasing competition. Our market share in the overseas market of the biochemical business may decrease because of intensified competition. Our export business in relation to particular markets may be temporarily or permanently suspended if we cannot obtain or maintain export approvals and licenses, or if the particular importing jurisdiction changes its regulations or policies requirements to our detriment. Any such event may have a material and adverse effect on our business and prospects.

Our business could be affected if there is a substantial increase in direct labour costs in China.

Our direct labour costs in each of the three years ended 31 December 2014 amounted to USD7.3 million, USD7.8 million and USD8.9 million, respectively, representing approximately 7.8%, 9.1% and 11.2%, respectively, of our total cost of sales in the corresponding period. In the future, labour costs in the PRC are expected to continue to increase and additional laws and regulations on labour protection, such as the increase in the statutory minimum wages, may be enacted by the PRC Government. This trend will increase an employer's obligations to pay for more employee-related benefits and welfare. Any substantial increase in our direct labour costs will raise our cost of sales. If we are not able to pass such additional cost to our customers, our business, operating results and financial condition could be adversely affected.

Our Group may not be able to protect or enforce our intellectual property rights adequately, or defend ourselves against others' claims, which could adversely affect the business operations and/or cause high administrative costs.

Our Group relies on trademark laws, patent laws, proprietary technology and contractual restrictions to protect our Group's intellectual property. As at the Latest Practicable Date, our Group had a total of nine registered trademarks, 22 patents and two domain names in the PRC and other jurisdictions, and had applied for the registration of a total of 16 patents in the PRC and other jurisdictions. As at the Latest Practicable Date, the ECI Metro Group had one domain name in the PRC. Zhanjiang Deni had a total of nine registered trademarks, 74 patents and one domain name in the PRC and other jurisdictions. However, such registration may only provide limited protection to our Group. In addition, contractual agreements, such as confidentiality, trademark licensing and non-competition agreements between our Group and the research and development personnel, may only provide limited protection and the actions that our Group

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may take to protect the intellectual proprietary rights may not be adequate. It is also possible that third parties may use our intellectual property without our authorisation. The steps we have taken may be inadequate to prevent the misappropriation of our intellectual property and know-how. Any unauthorised use or infringement of our intellectual property rights may have an adverse impact on our business. Our Group's competitive position may be weakened if it fails to protect the intellectual property rights. Litigation or other legal proceedings may be necessary in the future to enforce our Group's intellectual property rights or to defend our Group against the alleged proprietary rights of others. The costs required to protect our trademarks, trade names and patents, or to defend against claims of infringement or invalidity by others, including legal fees and expenses, could be substantial. Any adverse outcome in litigation or any similar proceedings could adversely affect our Group's business, financial condition and results of operation. In addition, the diversion of management's attention and resources while addressing any intellectual property litigation claim, regardless of whether the claim is valid, could be significant and could significantly affect our Group's business, financial condition and results of operation.

We are subject to potential adverse consequences due to the lack of land use right certificates and/or building ownership certificates and/or inspection approvals in respect of certain of our owned land and properties in the PRC.

We have obtained the land use right certificates for (i) three parcels of granted land with an aggregate site area of approximately 256,609.05 sq.m. and (ii) one piece of allocation land with an aggregate site area of approximately 353.95 sq.m. We have also obtained the building ownership certificates for (i) 39 buildings situated on granted land in the PRC with an aggregate floor area of approximately 95,433.29 sq.m. and (ii) two buildings situated on allocation land in the PRC with an aggregate floor area of approximately 3,833.39 sq.m. owned by our Group. As at the Latest Practicable Date, as to the rest of the land and buildings owned by our Group, the land use right certificates and/or building ownership certificates for which have not been obtained, Pucheng Chia Tai has not obtained the land use right certificate for a piece of land located in Putan Village, Wanan Town with an aggregate floor area of approximately 146,492 sq.m. and is currently in the process of applying for such land use right certificate. Such land is used as production plants, warehouses and offices. However, Pucheng Chia Tai may not be able to obtain such land use right certificate in a timely manner or at all. Furthermore, Zhumadian Huazhong is unable to obtain the building ownership certificates for 15 buildings in China with a total GFA of approximately 5,700 sq.m., representing approximately 5.4% of the total GFA of properties owned by our Group. These buildings are mainly used as production plants, warehouses and laboratories. Further information of these owned land and properties is set forth in the section headed "Business – Properties" in this listing document.

Similarly, the land use right certificates for (i) six parcels of granted land with an aggregate site area of approximately 230,803.09 sq.m. and (ii) one piece of allocation land with an aggregate site area of approximately 34.97 sq.m. owned by ECI Metro Group and Zhanjiang Deni as of the Latest Practicable Date have been obtained. The building ownership certificates for (i) four buildings situated on granted land in the PRC with an aggregate floor area of

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approximately 5,488.1 sq.m. and (ii) three buildings situated on allocation land in the PRC with an aggregate floor area of approximately 1,571.79 sq.m. owned by ECI Metro Group and Zhanjiang Deni as of the Latest Practicable Date have also been obtained. Further information of these owned land and properties is set forth in the section headed “Business – Properties” in this listing document.

According to our PRC legal adviser, as to the buildings owned by Zhumadian Huazhong, the building ownership certificates for which have not been obtained, the estimated potential liabilities primarily include (i) fines in the amount of not more than 2% of the construction agreement price for not obtaining Building Engineering Construction Permit prior to construction and (ii) fines in the amount of not more than 4% of the construction agreement price for putting into use before completed acceptance. Our Directors confirmed that the construction agreement price was RMB7.1 million, therefore the maximum amount of fines we may be subject to would be approximately RMB0.4 million. If the government authorities determine that our Group is liable for any or all of the fines, our operations and financial results may be adversely affected.

Furthermore, as of the Latest Practicable Date, eight buildings with an aggregate GFA of approximately 56,774.87 sq.m. situated in a property under construction were used by Zhanjiang Deni without having obtained the relevant inspection approvals. As advised by our PRC legal adviser, Jun He Law Offices, Zhanjiang Deni may be subject to administrative orders by the relevant authorities for such use without obtaining inspection approvals, for which the maximum fine is RMB2.0 million, and Zhanjiang Deni could be required to cease production.

Defects related to the leasing of certain properties used by our Group, the ECI Metro Group and Zhanjiang Deni in the PRC may materially and adversely affect the ability of our Group, the ECI Metro Group, Zhanjiang Deni and Dongfeng Shiyan to use such properties.

As of the Latest Practicable Date, our Group leased five properties with a total area of approximately 509.96 sq.m. Among these properties, (i) lessor of one property with an aggregate GFA of approximately 130 sq.m., representing approximately 25.49% of the total GFA of properties leased by our Group, had not provided the lessee with the relevant title certificates or other documents evidencing authorisation of the leasing; and (ii) lease agreements with respect to all of the five properties had not been registered or filed with the relevant authorities in accordance with applicable PRC laws and regulations. Similarly, as of the Latest Practicable Date, the ECI Metro Group leased 68 properties with a total area of approximately 64,047.14 sq.m. and Zhanjiang Deni leased two properties with a total area of approximately 3,202.11 sq.m. Among these properties, (i) the lessors of 49 properties with an aggregate GFA of approximately 37,805.74 sq.m. leased by ECI Metro Group, representing approximately 59.03% of the total GFA of properties leased by ECI Metro Group, had not provided the lessees with the relevant title certificates or other documents evidencing authorisation of the leasing (whereas the lessors of both properties with an aggregate GFA of 3,202.11 sq.m. leased by Zhanjiang Deni had); and (ii) lease agreements with respect to all of the 75 properties had not been registered or filed with the relevant authorities in accordance with applicable PRC laws and regulations. The affected properties were mainly used as offices, staff dormitories and warehouses. Further information of these leased properties is set forth in the section headed “Business – Properties” in this listing document.

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Our PRC legal adviser has advised us that if the lessors do not actually have the requisite rights to lease these properties, the lessees will not be penalised for the lessors' failure to provide the title certificates or other documents evidencing authorisation of the leasing. However, the lease agreements governing the relevant properties may not be enforceable under PRC law. As at the Latest Practicable Date, we were not aware of any challenge being made by any third party to the current occupation and use of such leased properties, but the lessees may be required to cease occupation and use of such leased properties if valid claims are brought. The affected property of our Group is used as staff dormitory and the employees will bear the relocation cost on their own whereas the cost to ECI Metro Group and Zhanjiang Deni for relocating their affected properties is estimated to be RMB5.1 million. The lessees may claim compensation or indemnification from the non-compliant lessors under some of the lease agreements, but legal proceedings may consume substantial managerial and financial resources.

Regarding the properties for which our Group, the ECI Metro Group and Zhanjiang Deni had not registered the relevant lease agreements, our PRC legal adviser has advised us that the relevant government authorities may require that the lease agreements be registered within a certain period of time. If such a requirement is not complied with in a timely manner, the PRC housing administration authorities may impose a maximum fine of RMB10,000 for each agreement that has not been properly registered. As of the Latest Practicable Date, there were 75 lease agreements that had not been registered. It is not clear under PRC law whether the fine which may be imposed on the non-registration of a lease agreement would be borne by the lessor or lessee. If the government authorities determine that our Group, the ECI Metro Group and Zhanjiang Deni, as lessees, are liable for any or all of the fines, our Group, the ECI Metro Group and Zhanjiang Deni could be required to pay a maximum fine of approximately RMB750,000 for all relevant leases. According to applicable PRC laws, lessors of the relevant properties need to provide us with certain documents in order to complete the administrative filings. We cannot assure you that the lessors of these properties will cooperate in the process of completing the filings. If the government authorities determine that our Group, the ECI Metro Group or Zhanjiang Deni, as lessee, is liable for any or all of the fines, our business and results of operations may be adversely affected.

Furthermore, Dongfeng Shiyan has not entered into any tenancy agreement with 東風汽車公司 (Dongfeng Automobile*) or Dongfeng Electronic (being the lessee from Dongfeng Automobile*) in respect of a piece of land with an aggregate site area of approximately 83,580.80 sq.m. with 31 buildings situated on it, which is currently used by Dongfeng Shiyan as its production facility. As advised by our PRC legal adviser, Dongfeng Shiyan may not be allowed to continue to use such land and the buildings situated on it.

We may not have sufficient insurance coverage.

We have obtained various insurance policies, such as business interruption insurance, property insurance, machinery breakdown insurance, production transportation insurance, public liability insurance, cash insurance and employers' liability insurance. In addition, ECI Metro Group has obtained, amongst others, third-party liability insurance whereas Zhanjiang

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Deni has obtained business interruption insurance, property insurance, production transportation insurance, public liability insurance, cash insurance and employers' liability insurance. Nevertheless, many of our raw materials, production processes and certain finished products are potentially destructive and dangerous in unexpected, uncontrolled or catastrophic situations, including fires, explosions, operating hazards, natural disasters and major equipment failures and we may be unable to obtain insurance coverage for such situations at a reasonable cost or at all. In the event an accident or natural disaster occurs in the future, it may cause substantial property damage and disruption to our operations and personal injuries, and our insurance coverage may be insufficient to cover such loss. Any uninsured loss or loss in excess of insured limits would result in us suffering financial losses and may cause disruption to our production and damage to our future operations, which could materially and adversely affect our business and financial performance.

Our business and reputation may be affected by potential product liability claims, litigation, complaints or negative publicity in relation to our products' quality and safety.

If our products fail to perform as expected, or prove to be defective or result in accidents, personal injuries, casualties or financial losses to our customers, we may be subject to liability claims for damages. We cannot assure you that we will not be exposed to future product liability claims. If our products do not meet the specifications and requirements requested by our customers, or if any of our products are defective, such defects or any complaints or negative publicity resulting therefrom could result in decreased sales of our products, and we may also be subject to product liability claims and litigation. As a result, we may incur significant legal costs regardless of the outcome of any claim of alleged defects. Lawsuits are inherently expensive to defend and will divert management and other resources from our business operations, which could in turn materially and adversely affect our business, financial position and operating results.

We had net current liabilities as of 31 December 2012.

We had net current liabilities of approximately USD5.5 million as of 31 December 2012. As of 31 December 2013 and 2014, we had net current assets of approximately USD6.5 million and USD25.8 million, respectively. We may have net current liabilities again in the future. Please refer to the section headed "Financial Information – Net Current (Liabilities)/Assets" in this listing document for further details. Our net current liabilities expose us to certain liquidity risks and could constrain our operational flexibility as well as adversely affect our ability to expand our business. Our future liquidity, the payment of trade and bills payables, the payment of other payables and accruals, and the repayment of outstanding debt obligations as and when they become due will primarily depend on our ability to maintain adequate cash inflows from operating activities and adequate external financing, which will be affected by our future operating performance, prevailing economic conditions, and financial, business and other factors, many of which are beyond our control. If adequate funds are not available, whether on satisfactory terms or at all, we may be forced to delay or abandon our development plan, and our business, financial condition and results of operations may be adversely affected.

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Our operations may be disrupted by various factors, including production difficulties due to mechanical failures, fire, Acts of God or other calamities at or near our facilities.

We are reliant on equipment and technology in our facilities for the production and quality control of our products, and our operations are subject to production difficulties such as production facility capacity constraints, mechanical and systems failures and the need for construction and equipment upgrades, any of which may cause the suspension of production and reduced output. There is no assurance that we will not experience problems with our equipment or technology in the future or that we will be able to address any such problems in a timely manner. Problems with key equipment or technology in one or more of our production facilities may affect our ability to produce our products or cause us to incur significant expense to repair or replace such equipment or technology. In addition, scheduled and unscheduled maintenance programs may affect our production output. Any of these could have a material adverse effect on our business, financial condition, results of operations and prospects.

Furthermore, our operations are subject to operational risks. Fire, earthquakes, natural disasters, pandemics or extreme weather, including droughts, floods, excessive cold or heat, typhoons or other storms, could cause power outages, fuel shortages, water shortages, damage to our production facilities and inventories or disruption of transportation channels, any of which could impair or interfere with our operations. Disruption of our production processes could result in our failure to fulfil orders placed by our customers. In such an event, our revenue could be reduced, our customers could make claims against us and our relationships with our customers could deteriorate. If we are unable to repair the damaged equipment or resume our production in a timely manner, our operation and our financial performance could be materially and adversely affected.

RISKS RELATING TO OUR GROUP STRUCTURE AND OUR CORPORATE STRUCTURE

A substantial part of the businesses in which our Group is involved is conducted through a joint venture and an associated company, in which we either hold a 50% equity interest and only have joint management control or only hold a non-controlling equity interest.

The contributions from our industrial business, conducted by ECI Metro Investment and Zhanjiang Deni, represented, in aggregate, 16.9%, 55.7% and 57.8% of our profit attributable to shareholder for each of the three years ended 31 December 2012, 2013 and 2014, respectively. Whilst we have joint control over the joint venture ECI Metro Investment and significant influence over the associated company Zhanjiang Deni, we only hold a 50% equity interest in the joint venture and hold a non-controlling equity interest in and do not have management control over the associated company. As a result, we cannot on our own control the management and operation of the industrial business conducted by them. ECI Metro Investment or Zhanjiang Deni could take action that is not in accordance with our best interests, and we may not be able to ensure that its business will be in compliance with relevant PRC laws and regulations. For instance, our 28% held associated company Zhanjiang Deni did not obtain final inspection approval for its environmental protection facilities from the

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Environmental Protection Commission of Zhanjiang* (湛江市環境保護局). As a result, Zhanjiang Deni was penalised and had to pay a fine of RMB80,000 for such environmental non-compliance in 2012. There is no assurance that Zhanjiang Deni will not be subject to fines or penalties in the future, and if such happens, our Group's operation and financial position may be adversely affected.

Furthermore, differences in opinion or views between us and our joint venture partner can result in delayed decision-making and failure to agree on material issues, which could adversely affect the business and operations of ECI Metro Investment. A dispute with our joint venture partner may cause the loss of business opportunities or disruption to or even termination of the relevant business. Such dispute may also give rise to litigation or other legal proceedings, which will divert our management attention and other resources, and if a decision or award is rendered against us, we could be required to pay significant monetary damages, assume other liabilities and suspend or terminate the related project or operations. Also, the majority shareholder of Zhanjiang Deni is its major customer with management control over its product portfolio and product pricing. As we only hold a 28% non-controlling equity interest in this associated company, there is no assurance that we can ensure that it can always maintain a profitable pricing policy and, if that cannot be maintained, our Group's financial position could be adversely affected.

In addition, if the industrial business conducted by ECI Metro Group and/or Zhanjiang Deni were to be managed poorly, the profits that we would realise from our interests in them may fail to grow as anticipated or may even fall. As a result, our financial condition and results of operations could be materially and adversely affected.

We rely on dividends paid by our operating subsidiaries, joint venture and associated company to fund any cash and financing requirements we may have, and any limitation on the ability of our operating subsidiaries, joint venture and associated company in the PRC to pay dividends to us could have a material adverse effect on our ability to conduct our business.

We are a holding company incorporated in Bermuda, and we conduct businesses through our operating subsidiaries, joint venture and associated company in the PRC. Therefore, the availability of funds to pay dividends to our Shareholders depends upon dividends received from these operating subsidiaries, joint venture and associated company. If any of these subsidiaries, joint venture and associated company incurs indebtedness or losses, such indebtedness or losses may impair its ability to pay dividends or other distributions to us. As a result, our ability to pay dividends will be restricted. The PRC laws and regulations require that dividends be paid only out of the net profit calculated according to China's accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including Hong Kong Financial Reporting Standards ("HKFRS"), IFRS and U.S. Generally Accepted Accounting Principles. PRC laws and regulations also require foreign-invested enterprises to set aside a portion of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends. In addition, restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries have entered

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into or may enter into in the future also restrict or may restrict in the future the ability of our operating subsidiaries, joint venture and associated company to provide capital or declare dividends to us and our ability to receive distributions. These restrictions on the availability and usage of our major source of funding may impact our ability to pay dividends to our Shareholders.

We may not be successful as an independent company with public shareholders.

Prior to completion of the Reorganisation, we operated as business divisions of the CPP Group. We relied on, among other things, the financing and the business reputation of the CPP Group. Following completion of the Listing, we will operate as an independent company. No member of the Remaining CPP Group will be under any obligation to provide any assistance to us. Further information on the relationship between the Remaining CPP Group and us is set forth in the sections headed “Relationships with the Controlling Shareholder and the Remaining CPP Group” and “Connected Transactions” of this listing document. As a listed company with public shareholders, we will continue to modify and improve our financial and management control systems to operate effectively. If we fail to continue to implement and improve these control measures in a timely manner, our business could be adversely affected.

RISKS RELATING TO THE PRC

Changes in PRC economic and political conditions, as well as government policies, could have a material adverse effect on our results of operations and prospects.

Substantially all of our assets and manufacturing operations, and most of our suppliers are located in the PRC. Accordingly, our business, financial condition, operating results and prospects are, to a significant degree, subject to the economic, political and social conditions in the PRC. Although the PRC economy has been transitioning from a planned economy to a more market-oriented economy for more than three decades, a substantial portion of productive assets in the PRC is still owned or controlled by the PRC government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over the PRC’s economic development through the allocation of resources, controlling payments of foreign currency-denominated obligations, setting monetary policies and providing preferential treatments to particular industries or companies. Although the overall growth of the PRC economy is significant over the past decade, growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also have a negative effect on us. For example, our operating results may be adversely affected by changes in tax regulations that are applicable to us. In addition, the PRC government has expressed in recent years its concerns relating to the rapid growth in industrial production, bank credit, fixed investments, money supply and the real estate market. Accordingly, the PRC government has taken certain measures to control economic growth at a more sustained and healthy pace, such as applying restrictions on bank loans to certain sectors and increasing lending and deposit interest rates.

RISK FACTORS

Changes in foreign exchange regulations and future movements in the exchange rate of Renminbi may adversely affect our financial condition and operating results and our ability to pay dividends.

Conversion of Renminbi is limited by the relevant government regulation in the PRC. Currently, Renminbi is freely exchangeable in current account transactions, but is controlled in capital accounts. The U.S. dollar is the presentation currency of our financial statements, but the majority of our revenue derived from domestic sales and export sales is denominated in Renminbi and the U.S. dollar, respectively. As a result, our operations are exposed to fluctuations in the exchange rate of Renminbi against foreign currencies. Following the Listing, we will be able to pay dividends in foreign currencies without prior approval from the SAFE, by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies in relation to payment of dividends in foreign currencies will continue in the future.

The value of the Renminbi against the U.S. dollar and other currencies fluctuates from time to time and is affected by a number of factors, such as changes in the political and economic conditions in the PRC as well as internationally and the fiscal and foreign exchange policies prescribed by the PRC Government. From 1994 up until 20 July 2005, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, was based on rates set by the PBOC on a daily basis based on the previous business day's inter-bank foreign exchange market rates and current exchange rates on the international financial markets. On 21 July 2005, the PRC Government adopted a more flexible managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band that was based on market supply and demand and with reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2% against the U.S. dollar. The PRC Government has since made further adjustments to the exchange rate system and enlarged the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar to 1.0% around the central parity rate on 16 April 2012. The PRC Government may in the future make further adjustments to the exchange rate system. Further appreciation of Renminbi may have an adverse impact on our export sales. Contrarily, the depreciation of Renminbi would adversely affect the value of dividends, if any, payable on the Shares by us in foreign currencies.

There is no assurance that the value of the Renminbi will remain at the current level against the U.S. dollar or any other foreign currency. Should the Renminbi appreciate or depreciate against the U.S. dollar or any other foreign currency, it will have mixed effects on our business and there is no assurance that the overall effect will be positive.

Laws and regulations in the PRC may be subject to uncertain interpretation, constant development and future modifications.

The PRC legal system is based on written statutes. While prior court decisions may be cited for reference, they are not binding on subsequent cases and have limited precedential value. Since 1979, the PRC government has promulgated a number of laws and regulations dealing with such economic matters as foreign investment, corporate organisation and

RISK FACTORS

governance, commerce, taxation and trade in an attempt to develop a comprehensive economic and commercial law system. However, interpretation of many of these laws, regulations and rules has not always been uniform, and enforcement of these laws and regulations involves significant uncertainties, which may limit or otherwise adversely affect legal protections available to our Group. Moreover, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, our Group may not be aware of any violation by it of these policies or rules until some time after such violation. In addition, litigation in the PRC may be protracted and may result in substantial costs and diversion of resources and management attention. However, the legal system of the PRC may not provide investors the same legal protection available to them in other jurisdictions and may be less developed than those in other developed countries or regions. The performance of contracts in accordance with their terms in the PRC may involve uncertainties. In addition, government policies in response to political changes in the PRC may affect the interpretation of laws and regulations.

Recent trends and development in antibiotics products regulations indicate that rules are likely to be promulgated to standardise the usage of antibiotics in promotion of growth in the animals. Since one of the effects of our products is growth promotion in animals, we may be affected adversely by the new legislation in the future. There can be no assurance that changes in the PRC laws and regulations or interpretation thereof will not have any adverse effect upon our business and prospects. Furthermore, the administration of PRC laws and regulations may be subject to a certain degree of discretion by the executive authorities. This may result in the outcome of dispute resolutions not being as consistent or predictable as compared to more developed jurisdictions.

In addition, some of our current operations and the implementation of its future expansion programmes in the PRC are, by law, subject to administrative review and approval by various national and local PRC government authorities.

Gains on the sales of Shares and dividends on the Shares may be subject to PRC income taxes.

The Enterprise Income Tax Law of the PRC (the “**EIT Law**”) provides that if an enterprise incorporated outside the PRC has its “de facto management bodies” within the PRC, such enterprise may be deemed a “PRC resident enterprise” for tax purposes and be subject to an enterprise income tax rate of 25% on its global incomes. “De facto management body” is defined as the body that has the significant and overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation promulgated a circular to clarify the certain criteria for the determination of the “de facto management bodies” for foreign enterprises controlled by PRC enterprises. However, there have been no official implementation rules regarding the determination of the “de facto management bodies” for foreign enterprises which are not controlled by PRC enterprises (including companies like ourselves). Therefore, it remains unclear how the tax authorities will treat a case such as ours.

Furthermore, the EIT Law provides that, (i) if the enterprise that distributes dividends is domiciled in the PRC, or (ii) if gains are realised from transferring equity interest of enterprises domiciled in the PRC, then such dividends or capital gains are treated as PRC-sourced income.

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It is not clear how “domicile” may be interpreted under the EIT Law, and it may be interpreted as the jurisdiction where the enterprise is a tax resident. Therefore, if we are considered a PRC resident enterprise for tax purposes, any dividends we pay to our overseas corporate shareholders who are not deemed a PRC resident enterprise as well as gains realised by such shareholders from the transfer of our Shares may be regarded as PRC-sourced income and as a result become subject to PRC withholding tax at a rate of up to 10%.

Natural disasters and health and public safety hazards in the PRC may disrupt our business and operations and may have a material adverse effect on our financial condition and operating results.

Certain regions in the PRC experienced severe weather condition in recent decades, which resulted in significant and extensive damage to factories, power lines, homes, automobiles, crops and other properties, as well as blackouts, transportation and communications disruptions and other losses in the affected areas. The PRC has also experienced earthquakes in certain regions that resulted in significant damage to the infrastructure and significant interruption to the economic activities within the regions. Moreover, certain countries and regions, including the PRC, have encountered incidents of avian flu, as well as SARS, over the past ten years and, more recently in 2013, the spread of H7N9 influenza. We are unable to predict the effect, if any, of any future natural disasters and health and public safety hazards. Such events may, among other things, significantly disrupt our ability to adequately staff our business and may generally disrupt our production and operations. Furthermore, such natural disasters and health and public safety hazards may severely restrict the level of economic activity in affected areas, which may in turn materially and adversely affect our business and prospects.

It may be difficult to effect service of process or to enforce foreign judgements in the PRC.

A substantial amount, if not all, of our assets are located in the PRC. Therefore, investors may encounter difficulties in effecting service of process from outside the PRC upon us or most of our Directors and officers. Moreover, it is understood that the enforcement of foreign judgements in the PRC is still subject to uncertainties. A judgement of a court from a foreign jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with the PRC or if the judgements of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requisite requirements. However, China does not have treaties with Japan, the United Kingdom, the United States and most other countries providing for the reciprocal enforcement of judgements. Also, Hong Kong has no arrangement for reciprocal enforcement of judgements with the United States, causing uncertainties in relation to the enforcement of foreign judgements.

RISKS RELATING TO THE SPIN-OFF

We have no history operating as an independent company, and the expenses we will incur to create the corporate infrastructure necessary to operate as an independent public company may be significant.

Prior to the Spin-off, we have relied on the corporate infrastructure of CPP to support our business functions, including accounting, finance and administration. The expenses related to establishing and maintaining this infrastructure were allocated among all of the businesses of

RISK FACTORS

CPP. Following the Spin-off, we will no longer have access to CPP's corporate infrastructure, and we will need to establish our own corporate infrastructure or hire relevant service providers to perform these functions on our behalf. The costs associated with performing or outsourcing these functions may be significant and could have a material adverse effect on our financial condition and results of operations.

An active trading market for our Ordinary Shares may not develop, and the trading price and liquidity of our Ordinary Shares may fluctuate significantly.

Prior to the Listing, no public market for our shares existed. There is no assurance that an active and liquid trading market for our Ordinary Shares will develop or be sustained after the Listing or that we will be able to maintain the listing of our Ordinary Shares. If an active and liquid trading market for our Ordinary Shares does not develop or is not sustained after the Listing, the trading price and liquidity of our Ordinary Shares may be materially and adversely affected.

The trading price and liquidity of our Ordinary Shares may be highly volatile in response to factors beyond our control, including general market conditions of the capital markets in Hong Kong and elsewhere in the world. Moreover, the price and liquidity of our Ordinary Shares may be volatile for specific business or other reasons. In particular, factors such as variations in our revenue, earnings and cash flows, announcements of new investments, as well as general economic, market or regulatory conditions, could cause large and sudden changes in the liquidity and price of our Ordinary Shares.

Future sales or perceived sales of substantial amounts of our securities in the public market, including any future sale of our Shares by our Controlling Shareholder, could have a material adverse effect on the prevailing market price of our Shares and our ability to raise capital in the future, and any issue of additional securities may result in dilution of your shareholding in our Company.

The market price of our Shares could decline as a result of future sales of substantial amounts of our Shares or other securities relating to our Shares in the public market or the issuance of new Shares or other securities, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital in the future at a time and at a price we deem appropriate. In addition, our Shareholders may experience dilution in their holdings to the extent we issue additional securities in future offerings.

In connection with the Listing, the Controlling Shareholder has entered into lock-up arrangements under which it will not, among other things, (a) sell our Shares for the six months immediately following the Listing Date, subject to certain exceptions and (b) sell our Shares for the six months immediately following the six-month anniversary of the Listing Date if, immediately following such sale, it will cease to be our controlling shareholder as defined in the Listing Rules. However, we cannot assure you that our Controlling Shareholder will not dispose of any or all of our Shares it may own now or in the future after the expiration of the applicable lock-up periods. Any future sales, or perceived sales, of substantial amounts of our Shares by our Controlling Shareholder could cause the market price of our Shares to decrease significantly as well as materially hinder our ability to raise capital in the future.

RISK FACTORS

RISKS RELATING TO STATEMENTS MADE IN THIS LISTING DOCUMENT

Forward-looking information may prove inaccurate.

This listing document contains forward-looking statements and information relating to our operations and prospects that are based on our current beliefs and assumptions as well as information currently available to us. When used in this listing document, the words “anticipate”, “believe”, “estimate”, “expect”, “plans”, “prospects” and similar expressions, as they relate to our business, are intended to identify forward-looking statements. These forward-looking statements reflect our current expectations, which are based on the beliefs of our management, subject to a number of underlying risks and uncertainties which may be outside our control, including, but not limited to, the risk factors described in this listing document, changes in the economic and political environment in the PRC, technological development and changes in the marketplace. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. We do not intend to update or otherwise revise the forward-looking statements in this listing document whether as a result of the availability of new information, occurrence of future events or otherwise. We have taken reasonable care to ensure the accuracy and completeness of the information presented in all material respects and that it is not misleading or deceptive. However, in light of the inherent risks and uncertainties, there can be no assurance that the forward-looking statements described in this listing document will materialise and thus should not place undue reliance on any forward-looking statements contained in this listing document. Should the underlying assumptions are proven incorrect or should one or more of the risks and uncertainties materialise, our actual business and operating results may differ substantially from the information contained in the forward-looking statements.

The industry and statistical information in this listing document may not be accurate.

Statistics, industry data and other information relating to the economy and the industry contained in this listing document have been derived, compiled, extracted or reproduced from various government publications and organisations that we believe to be reliable. While we believe that such facts and statistics are appropriate sources for such information, and our Directors have taken reasonable care in the reproduction of the information and have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading, they have not been independently verified by us, the Sole Sponsor or any of our or their respective affiliates or advisers. Therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC or available from other sources. Such facts and other statistics include the facts and statistics contained in this section, the sections headed “Summary”, “Industry Overview” and “Business” in this listing document. Due to possibly flawed or ineffective sampling or discrepancies between published information and market practices or other reasons, such facts and statistics may be inaccurate or may not be comparable to official statistics and you should not place undue reliance on them. Accordingly, you should consider carefully how much weight or importance you should attach to or place on such facts or statistics.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Listing, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

MANAGEMENT PRESENCE

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. At present, the Board consists of four executive Directors, namely, Mr. Thirayut Phityaisarakul, Mr. Thanakorn Seriburi, Mr. Nopadol Chiaravanont and Mr. Yao Minpu. All of the four executive Directors currently do not reside in Hong Kong.

Our Company does not and, for the foreseeable future, will not have a sufficient management presence in Hong Kong for the purposes of satisfying the requirements under Rule 8.12 of the Listing Rules. Our Company has therefore applied for a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules on the basis that since our core business operations are, and are expected to continue to be, based, managed and conducted in the PRC, and that our assets are primarily located in the PRC, our management does not have to be based in Hong Kong in order to attend our Group's functions. Requiring the existing executive Directors to relocate to Hong Kong in order to comply with Rule 8.12 of the Listing Rules may result in difficulties in the management of the business operations of our Group and may be unduly burdensome to our Group.

For the purposes of the management and operations of our Group, the appointment to our Board of additional executive Directors who are ordinarily resident in Hong Kong would not only increase the administrative expenses of our Group, but would also reduce the effectiveness and efficiency of the executive Directors in administering the daily operations of our Group, especially when business decisions are required to be made within a short period of time. In addition, appointing two new executive Directors who may not be familiar with the operations of our Group for the sole purpose of satisfying the requirements under Rule 8.12 of the Listing Rules may not be in the best interests of our Company and our Shareholders as a whole.

Furthermore, each of our executive Directors has a vital role in managing our business in the PRC and it is necessary for them to remain physically close to our operations in the PRC. It is essential for them to remain proximate to the daily operations of our Group to appreciate the circumstances surrounding or affecting the business operations and the development of our Group from time to time, in order to exercise their discretion on a fully informed basis, or make appropriate business decisions or judgements in administering the daily operations of our Group.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

We have applied for and have received from the Stock Exchange a waiver from compliance with Rule 8.12 of the Listing Rules subject to the following conditions:

- (a) we have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules who will act as our principal communication channel with the Stock Exchange and will ensure that we comply with the Listing Rules at all times. The two authorised representatives are Mr. Thanakorn Seriburi and Ms. Man Sau Ying, the company secretary of our Company. Although Mr. Thanakorn Seriburi normally resides in Thailand, he possesses valid travel document to visit Hong Kong and is able to renew such travel document upon expiry. Each of them will be available to meet with the Stock Exchange within a reasonable time frame upon request of the Stock Exchange, if required. Any of them will be readily contactable by telephone, fax and email, and is authorised to communicate on behalf of us with the Stock Exchange;
- (b) both authorised representatives have the means to contact our Directors promptly at all times as and when the Stock Exchange wishes to contact the members of the Board for any matters. We will implement a policy whereby (i) each Director will have to provide his office phone number, mobile phone number, residential phone number, fax number and email address to the authorised representatives; (ii) in the event that a Director expects to travel and be out of office, he will have to provide the phone number of the place of his accommodation or other means of communication to the authorised representatives; and (iii) each Director will provide his mobile phone number, residential phone number, office phone number, fax number and email address to the Stock Exchange;
- (c) we will, in compliance with Rule 3A.19 of the Listing Rules, retain a compliance adviser at least for the period commencing from the Listing Date and ending on the date that we publish our first full financial year results pursuant to Rule 13.46 of the Listing Rules, who will have access at all times to our Company's authorised representatives, Directors and other officers. The compliance adviser will advise on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after Listing and act as an additional communication channel between us and the Stock Exchange;
- (d) our compliance adviser will act as our principal channel of communication with the Stock Exchange in Hong Kong and our compliance adviser has provided the Stock Exchange with the names, home and office telephone numbers, fax number of at least one of its officers and an alternate who will act as our compliance adviser's contact with the Stock Exchange and us;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (e) meetings between the Stock Exchange and our Directors could be arranged through our authorised representatives or compliance adviser, or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange promptly in respect of any change in our authorised representatives and compliance adviser; and

- (f) all Directors who are not ordinarily resident in Hong Kong have confirmed that they possess valid travel documents to visit Hong Kong for business purpose and will be able to meet with the relevant members of the Stock Exchange within a reasonable period.

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which would constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon Listing. We have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Chapter 14A of the Listing Rules. Please refer to the section headed “Connected Transactions” in this listing document for further details.

INFORMATION ABOUT THIS LISTING DOCUMENT AND THE LISTING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS LISTING DOCUMENT

This listing document, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information to the public with regard to us. Our Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this listing document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this listing document misleading.

INFORMATION ON THE LISTING

No person is authorised to give any information in connection with the Listing or to make any representation not contained in this listing document, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sole Sponsor, any of our and their respective directors, officers, agents, employees, representatives, advisers, affiliates or any other person or party involved in the Listing. Neither the delivery of this listing document nor the distribution of Shares pursuant to the Distribution should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this listing document or imply that the information contained in this listing document is correct as of any date subsequent to the date of this listing document.

RESTRICTIONS ON THE USE OF THIS LISTING DOCUMENT

This listing document is published solely in connection with the Listing. It may not be used for any other purpose and, in particular, no person is authorised to use or reproduce this listing document or any part thereof in connection with any offering of Shares or other securities of our Company. Accordingly, this listing document does not constitute an offer or invitation in any jurisdiction to acquire, subscribe for or purchase any of our Shares or other securities of our Company nor is it calculated to invite any offer or invitation for any of our Shares or other securities of our Company.

APPLICATION FOR LISTING OF OUR ORDINARY SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, our Ordinary Shares in issue as of the Distribution Record Date and any Ordinary Shares which may be issued upon exercise of the conversion rights attached to the Preference Shares or pursuant to the exercise of options which may be granted under the Share Option Scheme.

Dealings in our Ordinary Shares on the Stock Exchange are expected to commence on 3 July 2015. Save as disclosed herein, none of our Shares is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

INFORMATION ABOUT THIS LISTING DOCUMENT AND THE LISTING

According to the Listing Rules (including Practice Note 15 to the Listing Rules) and the CPP Bye-laws, the Spin-off does not require the approval of the shareholders of CPP.

THE LISTING BY WAY OF INTRODUCTION

The Listing by way of introduction does not involve an offering of our Shares or any other securities of our Company and no new proceeds will be raised pursuant to the Listing. By undertaking the Listing, we seek to avail the CPP Qualifying Shareholders with a liquid public market for our Ordinary Shares.

CONDITION OF THE SPIN-OFF

The Spin-off is conditional on the Listing Committee granting the listing of, and permission to deal in, our Ordinary Shares in issue and any Ordinary Shares which may be issued pursuant to the exercise of conversion rights attached to the Preference Shares or the exercise of options which may be granted under the Share Option Scheme, on the Main Board of the Stock Exchange. If such condition is not satisfied, the Distribution will not be made and the Spin-off will not take place, in which case an announcement will be made.

OUR SHAREHOLDERS, THE SPIN-OFF, AND THE LISTING

Further information on the Distribution and the Spin-off is set forth in the section headed “The Distribution and Spin-off” in this listing document.

Prior to completion of the Spin-off and the Listing, we operated in two of the four business areas of CPP Group. CPP Group operates and invests in four business areas: (a) the China agri-food business; (b) the Vietnam agri-food business; (c) the biochemical business; and (d) the industrial business. Following completion of the Spin-off and the Listing, the Remaining CPP Group will continue to be engaged in the China agri-food business and the Vietnam agri-food business. We will focus on the biochemical business and the industrial business. The Spin-off and the Listing will provide separate fundraising platforms in the equity and debt capital markets for the Remaining CPP Group and us, which will increase financing flexibility for both groups to support their respective growth.

On 5 June 2014, a proposal was submitted on behalf of CPP for the Spin-off and the Listing by way of introduction pursuant to Practice Note 15 to the Listing Rules and Rule 7.16 of the Listing Rules, respectively. On 11 July 2014, the Stock Exchange confirmed that CPP may proceed with the Spin-off. On 6 February 2015, a revised proposal for the Spin-off and the Listing was submitted on behalf of CPP, under which it was proposed that Ordinary Shares would be distributed to CPP Ordinary Shareholders who are CPP Qualifying Shareholders and Preference Shares would be distributed to CPP Preference Shareholder(s) who are CPP Qualifying Shareholder(s). On 18 February 2015, the Stock Exchange confirmed that CPP may proceed with the Spin-off in accordance with the revised proposal.

The Listing will be effected by way of introduction. We will issue a further announcement following the Distribution Record Date on the final shareholding percentages immediately after completion of the Spin-off and the Listing. Neither CPP nor our Company will offer any Share for purchase or subscription as part of the Spin-off and the Listing.

INFORMATION ABOUT THIS LISTING DOCUMENT AND THE LISTING

There will be connected transactions with the Remaining CPP Group, which will be conducted on an arm's length basis. Further information of these transactions is set forth in the section headed "Connected Transactions" in this listing document. Save as disclosed in this listing document, we are independent from the Remaining CPP Group following completion of the Spin-off and the Listing.

NO CHANGE IN BUSINESS

We do not contemplate that there would be any material change in our business immediately following the Spin-off and the Listing.

ORDINARY SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, our Ordinary Shares and any Ordinary Shares which may be issued upon exercise of the conversion rights attached to the Preference Shares or pursuant to the exercise of options which may be granted under the Share Option Scheme on the Stock Exchange and the compliance with the stock admission requirements of HKSCC, our Ordinary Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Ordinary Shares on the Stock Exchange or such other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All necessary arrangements have been made for our Ordinary Shares to be admitted into CCASS. All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time. If you are unsure about the details of CCASS settlement arrangements and how such arrangements will affect your rights and interests, you should seek the advice of your stockbrokers or other professional advisers.

COMMENCEMENT OF DEALINGS IN OUR ORDINARY SHARES

Dealings in our Ordinary Shares on the Stock Exchange are expected to commence on 3 July 2015. Our Ordinary Shares will be traded in board lots of 500 Ordinary Shares. The stock code of our Ordinary Shares is 3839.

HONG KONG REGISTER AND STAMP DUTY

All Ordinary Shares will be registered on our Company's register of members to be maintained by our Hong Kong Share Registrar in Hong Kong. Our Company's principal register of members (including Preference Shareholders) will be maintained in Bermuda by Appleby Management (Bermuda) Ltd..

Dealings in our Ordinary Shares registered in the Hong Kong register of members of our Company maintained in Hong Kong will be subject to Hong Kong stamp duty.

INFORMATION ABOUT THIS LISTING DOCUMENT AND THE LISTING

Unless our Company determines otherwise, dividends payable in Hong Kong dollars in respect of our Shares will be paid to our Shareholders listed on our Company's registers of members, by way of cheque sent by ordinary post, at our Shareholder's risk, to the registered address of each Shareholder.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in our Shares following the Listing are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding and dealing in our Shares. None of our Company, the Sole Sponsor and any of our and their respective directors, officers, agents, employees, representatives, advisers or affiliates or any other person or party involved in the Listing accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposition of our Shares.

LANGUAGE

Translated English names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) included in this listing document and for which no official English translation exists are unofficial translations for your reference only.

EXCHANGE RATE CONVERSION

Solely for your convenience, this listing document contains translations of certain Renminbi into USD at specified rates. You should not construe these translations as representations that the Renminbi could have been or could actually be converted into any USD amounts at the rates indicated or at all.

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed thereon are due to rounding. Certain amounts and percentage figures included in this listing document have also been subject to rounding adjustments, or have been rounded to one or two decimal places, where appropriate.

DIRECTORS AND PARTIES INVOLVED IN THE LISTING

DIRECTORS

Name	Address	Nationality
<i>Chairman and Non-executive Director</i>		
Mr. Soopakij Chearavanont	99 Bangna-Trad Road Bangplee Yai Bangplee Samutprakarn Bangkok 10540 Thailand	Thai
<i>Executive Directors</i>		
Mr. Thirayut Phityaisarakul <i>Chief Executive Officer</i> <i>(Biochemical Division)</i>	No. 8 Soi 5, Laemthong Village Patanakarn Rd., Suanluang Bangkok 10250 Thailand	Thai
Mr. Thanakorn Seriburi <i>Chief Executive Officer</i> <i>(Industrial Division)</i>	No. 288 Mooban Sinkaow Srinakarin Road Nongbon Prawet District Bangkok 10250 Thailand	Thai
Mr. Nopadol Chiaravanont	75/32 Grand Crystal Pradit Manutham Road Nuanchan, Buengkum Bangkok 10230 Thailand	Thai
Mr. Yao Minpu (姚民仆)	Room 601, Gate 1 No. 23 Laichenyuan Chaoyang District Beijing PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE LISTING

Name	Address	Nationality
<i>Independent Non-executive Directors</i>		
Mr. Surasak Rounroengrom	67/258 Moo 6 Tambon Lakhok Amphor Muang Pathumthani 12000 Thailand	Thai
Mr. Cheng Yuk Wo (鄭毓和)	Flat 3C, Grand View Terrace 59 Nga Tsin Wai Road Kowloon City Kowloon Hong Kong	Chinese
Mr. Ko Ming Tung, Edward (高明東)	Flat C, 5/F, Paxton 313 Prince Edward Road West Kowloon Hong Kong	Chinese

Further information on the qualifications and experience of our Directors is set forth in the section headed “Directors and Senior Management” of this listing document.

DIRECTORS AND PARTIES INVOLVED IN THE LISTING

PARTIES INVOLVED IN THE LISTING

Sole Sponsor

UBS Securities Hong Kong Limited
42/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

Legal Advisers to our Company

As to Hong Kong laws:

Linklaters
10th Floor, Alexandra House
Chater Road
Central
Hong Kong

As to PRC laws:

Jun He Law Offices
20th Floor, China Resources Building
Beijing 100005
China

As to Bermuda laws:

Appleby
2206-19 Jardine House
1 Connaught Place
Central
Hong Kong

Legal Advisers to Sole Sponsor

As to Hong Kong laws:

Davis Polk & Wardwell
18/F, The Hong Kong Club Building
3A Chater Road
Hong Kong

As to PRC laws:

Grandall Law Firm (Shanghai)
23-25/F, Garden Square
968 West Beijing Road
Shanghai 200041
China

DIRECTORS AND PARTIES INVOLVED IN THE LISTING

Auditors and Reporting Accountants

KPMG
8th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

Compliance Adviser

Guotai Junan Capital Limited
27th Floor, Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

CORPORATE INFORMATION

Registered Office	Canon's Court 22 Victoria Street Hamilton HM 12 Bermuda
Headquarters and Principal Place of Business in Hong Kong	21/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Company Secretary	Ms. Man Sau Ying, <i>ACIS, ACS</i> Flat H, 26/F., Tang Kung Mansion Taikooshing Hong Kong
Authorised Representatives	Mr. Thanakorn Seriburi No. 288 Mooban Sinkaow Srinakarin Road Nongbon Prawet District Bangkok 10250 Thailand Ms. Man Sau Ying, <i>ACIS, ACS</i> Flat H, 26/F., Tang Kung Mansion Taikooshing Hong Kong
Audit Committee	Mr. Cheng Yuk Wo (<i>Chairman</i>) Mr. Surasak Rounroengrom Mr. Ko Ming Tung, Edward
Remuneration Committee	Mr. Cheng Yuk Wo (<i>Chairman</i>) Mr. Thanakorn Seriburi Mr. Surasak Rounroengrom Mr. Ko Ming Tung, Edward
Nomination Committee	Mr. Soopakij Chearavanont (<i>Chairman</i>) Mr. Surasak Rounroengrom Mr. Cheng Yuk Wo

CORPORATE INFORMATION

Principal Bankers

Bangkok Bank, Xiamen branch
1-2F, Xiamen Top Plaza
No. 2 Zhenhai Road, Siming District
Xiamen, Fujian Province 361001
PRC

China Construction Bank, Pucheng branch
No. 125 Wuyisan Road
Pucheng, Fujian Province 353400
PRC

Bank of China, Zhumadian branch
No. 188 Wenming Road, Zhumadian
Henan Province
PRC

**Principal share registrar and
transfer agent in Bermuda**

Appleby Management (Bermuda) Ltd.
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Hong Kong Share Registrar

Computershare Hong Kong Investor Services
Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Company's Website

www.ctei.com.hk
*(A copy of this listing document is available
on our Company's website. Except for the
information contained in this listing
document, none of the other information
contained on our Company's website forms
part of this listing document.)*

HISTORY AND CORPORATE STRUCTURE

HISTORY AND BUSINESS DEVELOPMENT

Our history is traced back to 1992 when Zhanjiang Deni was established with our Group holding a 35% equity interest. Zhanjiang Deni was established to engage in the manufacture and sale of carburetors and automotive parts. As a result of an increase in the registered share capital of Zhanjiang Deni and the participation of an additional joint venture partner in December 1994, our interest in Zhanjiang Deni was reduced from 35% to 28%, which has remained unchanged as at the Latest Practicable Date.

In 1994, ECI Metro Investment was established as an investment holding company with our Group holding a 50% shareholding. In 1995, the ECI Metro Group began to distribute Caterpillar Products and provide customer service in Yunnan, Guizhou and Sichuan provinces of the PRC and the ECI Metro Group has since 1995 become the sales distributor for Caterpillar Products with its service territory covering the western part of the PRC (excluding the Xinjiang Uyghur Autonomous Region). By 2009, the ECI Metro Group is responsible for the sale, leasing and customer service of Caterpillar Products in Yunnan, Guizhou, Sichuan, Shaanxi, Gansu and Qinghai provinces, Ningxia Hui Autonomous Region, Tibet Autonomous Region and Chongqing municipality.

In 1995, Pucheng Chia Tai and Zhumadian Huazhong were established. Pucheng Chia Tai was established to produce and sell CTC products namely CTC HCL and CTC Premix and Zhumadian Huazhong was established to produce and sell CTC Premix. In June 2014, as a result of corporate restructuring, 100% equity interest in Zhumadian Huazhong, comprising Chia Tai Huazhong's holding of 70% equity interest and Zhengzhou Jinyuweiye's holding of 30% equity interest, was transferred to Chia Tai Pucheng's 69.5% owned subsidiary, Pucheng Chia Tai. After this corporate restructuring was completed, our biochemical business has been held through two wholly-owned subsidiaries, Chia Tai Pucheng and Chia Tai Huazhong which together have an aggregate interest of 69.7% in Pucheng Chia Tai. Pucheng Chia Tai in turn holds the entire equity interest in Zhumadian Huazhong.

Key Business Development Milestones

The following events are the key corporate and business development milestones of the businesses of our Group since our establishment:

1995	Pucheng Chia Tai was established to produce and sell CTC products namely CTC HCL and CTC Premix and Zhumadian Huazhong was established to produce and sell CTC Premix.
2001	Pucheng Chia Tai obtained the Animal Drugs GMP certification.
2002	Zhumadian Huazhong obtained the Animal Drugs GMP certification.
2003	Zhumadian Huazhong obtained the ISO9001:2000 accreditation.
2010	Pucheng Chia Tai's CTC products were awarded Fujian Brand Products by the Fujian Provincial Government.

HISTORY AND CORPORATE STRUCTURE

- | | |
|------|--|
| 2012 | Pucheng Chia Tai obtained ISO9001:2008 accreditation, Zhumadian Huazhong obtained ISO9001:2008 accreditation. |
| 2013 | Zhumadian Huazhong was awarded The 50 Most Important Enterprises in Zhumadian by the Zhumadian Municipal Government. |
| 2014 | Pucheng Chia Tai and Zhumadian Huazhong, which had previously been separately held as to 69.5% and 70% of their registered capital by Chia Tai Pucheng and Chia Tai Huazhong, respectively completed their corporate restructuring, resulting in the latter companies each being a wholly-owned subsidiary of our Group, and together holding an aggregate 69.7% interest in Pucheng Chia Tai which in turn holds 100% interest in Zhumadian Huazhong. |

Corporate Development

Our Company was incorporated in Bermuda on 16 October 1987 in the name of C.T. Progressive (Sino) Industrial Ltd. On 28 April 1993, our Company changed its name from C.T. Progressive (Sino) Industrial Ltd. to Ek Chor China Motorcycle Co. Ltd. and in June 1993, our shares were listed on The New York Stock Exchange.

Our Company remained listed on The New York Stock Exchange until we were taken private and delisted from The New York Stock Exchange as a result of the low trading volume of our shares and our then relatively small market capitalisation. In connection with taking our Company private and our delisting from The New York Stock Exchange, a scheme of arrangement was implemented, whereby, effective on 23 June 2003, 5,574,000 shares of US\$0.10 each in the capital of our Company not owned by CPP, representing approximately 31.8% of our Company's then issued share capital, were cancelled in consideration of a payment by our Company at US\$3.75 per share using cash on hand. As a result, we became a wholly-owned subsidiary of CPP again from 23 June 2003.

On 5 May 2014, our Company changed its name from Ek Chor China Motorcycle Co. Ltd. to Chia Tai Enterprises International Limited. As at the Latest Practicable Date, our Company had in issue 11,952,000 Ordinary Shares of US\$0.10 each. Immediately prior to the Distribution, and assuming the number of CPP Shares in issue as at the Distribution Record Date is the same as at the Latest Practicable Date, our Company will issue up to 228,766,372 Ordinary Shares and 12,610,777 Preference Shares by way of the Capitalisation Issue, following which the number of issued Ordinary Shares and issued Preference Shares of our Company will be increased to up to 240,718,372 and 12,610,777 respectively.

Upon Listing, our biochemical business will be conducted by our subsidiaries (i) Pucheng Chia Tai; and (ii) Zhumadian Huazhong; and we will have interest in the industrial business through our 50% owned joint venture, ECI Metro Investment, and our 28% owned associate, Zhanjiang Deni.

HISTORY AND CORPORATE STRUCTURE

Pucheng Chia Tai

Pucheng Chia Tai was established in the PRC on 24 August 1995 with a registered capital of RMB34,000,000, which was fully paid-up and contributed as to 30% by Pucheng County Biochemical Factory and as to 70% by Chia Tai Shanghai Co., Ltd. (正大上海有限公司). On 24 November 1995, the registered capital of Pucheng Chia Tai was increased to RMB56,000,000 which was fully-paid and contributed at the same time by its equity holders in proportion to their respective equity interests. On 16 January 2002, 70% equity interest in Pucheng Chia Tai was transferred from Chia Tai Shanghai Co., Ltd. (正大上海有限公司) to Chia Tai (China) Agro-Industrial Ltd. (正大(中國)農牧有限公司). On 20 October 2003, Xinglv Gongyipin acquired 1% equity interest in Pucheng Chia Tai from Pucheng County Biochemical Factory and Smart Universe Investments Limited (俊宇投資有限公司) and Shanghai Zhengcheng acquired 9.5% and 0.5% equity interest in Pucheng Chia Tai from Chia Tai (China) Agro-Industrial Ltd. (正大(中國)農牧有限公司), respectively. On 19 July 2005, the registered capital of Pucheng Chia Tai was further increased to RMB100,000,000 and the increased capital was contributed by its equity holders in proportion to their respective equity interests. On 13 March 2008, 60% and 9.5% equity interest in Pucheng Chia Tai was transferred from Chia Tai (China) Agro-Industrial Ltd. (正大(中國)農牧有限公司) and Smart Universe Investments Limited (俊宇投資有限公司) to Chia Tai Pucheng, respectively.

On 10 February 2014, the registered capital of Pucheng Chia Tai was further increased to RMB189,890,000. The then four equity holders of Pucheng Chia Tai, namely, Xinglv Gongyipin, Pucheng County Biochemical Factory, Shanghai Zhengcheng and Chia Tai Pucheng entered into an equity contribution agreement with Chia Tai Huazhong and Zhengzhou Jinyuweiye with respect to the transfer by Chia Tai Huazhong and Zhengzhou Jinyuweiye of their respective 70% and 30% equity interest in Zhumadian Huazhong to Pucheng Chia Tai (the “**Zhumadian Transfer**”) as their contribution to the capital of Pucheng Chia Tai. Upon completion of the Zhumadian Transfer and as at the Latest Practicable Date, Chia Tai Pucheng and Chia Tai Huazhong held a 36.6% and 33.1% equity interest in Pucheng Chia Tai, respectively, and Pucheng County Biochemical Factory, Zhengzhou Jinyuweiye, Xinglv Gongyipin and Shanghai Zhengcheng held 15.3%, 14.2%, 0.5% and 0.3% equity interest in Pucheng Chia Tai, respectively.

According to the articles of association of Pucheng Chia Tai, as adopted and amended by agreement between its six existing equity holders, namely, Chia Tai Pucheng, Chia Tai Huazhong, Pucheng County Biochemical Factory, Zhengzhou Jinyuweiye, Xinglv Gongyipin and Shanghai Zhengcheng, the board of directors of Pucheng Chia Tai shall consist of five members, three of whom shall be appointed by Chia Tai Pucheng and two of whom by Pucheng County Biochemical Factory. According to the articles, all matters shall be approved with the approval of not less than one-half of the directors, with the exception of the following matters on which board resolutions shall only be passed with the unanimous approval of all of the directors attending the board meeting, namely: (i) amendment of the articles of association; (ii) termination, dissolution and liquidation of Pucheng Chia Tai; (iii) increase or transfer of the registered capital of Pucheng Chia Tai; (iv) merger of Pucheng Chia Tai with any other entity; and (v) extension of the joint venture period.

HISTORY AND CORPORATE STRUCTURE

Zhumadian Huazhong

Zhumadian Huazhong was established in the PRC on 13 December 1995 with a registered capital of RMB40,000,000, which was fully paid-up and contributed as to 30% by 河南省天方藥業集團公司 (Henan Province Tianfang Pharmaceutical Group Company*), formerly known as 河南省華中醫藥集團公司 (Henan Province Huazhong Pharmaceutical Group Company*), and as to 70% by Chia Tai (China) Agro-Industrial Ltd. (正大(中國)農牧有限公司). The registered capital of Zhumadian Huazhong was increased to RMB54,000,000 in 2000 and was further increased to RMB72,000,000 in 2004, which was fully-paid at the same time by its equity holders in proportion to their respective equity interests. On 16 May 2007, 義烏金恒源投資有限公司 (Yiwu Jinhengyuan Investment Company Limited*) acquired 30% equity interest in Zhumadian Huazhong from 河南省天方藥業集團公司 (Henan Province Tianfang Pharmaceutical Group Company*) and on 20 February 2008, Chia Tai (China) Agro-Industrial Ltd. (正大(中國)農牧有限公司) transferred its 70% equity interest in Zhumadian Huazhong to Chia Tai Huazhong. On 15 July 2012, Zhengzhou Jinyuweiye acquired 30% equity interest in Zhumadian Huazhong from 義烏金恒源投資有限公司 (Yiwu Jinhengyuan Investment Company Limited*). As a result of the Zhumadian Transfer and as at the Latest Practicable Date, Zhumadian Huazhong was 100% owned by Pucheng Chia Tai.

ECI Metro Investment

ECI Metro Investment was established in the BVI in November 1994 in the name of ECI Metro Machinery Investment Co., Ltd. and was renamed as ECI Metro Investment Co., Ltd. in the same month. ECI Metro Investment was established as an investment holding company with our Group holding a 50% shareholding. In 1995, the ECI Metro Group began to distribute Caterpillar Products in the PRC and the ECI Metro Group subsequently became the sales distributor for Caterpillar Products with its service territory covering the western part of the PRC (excluding the Xinjiang Uyghur Autonomous Region). As at the Latest Practicable Date, ECI Machinery, a wholly-owned subsidiary of our Company, and Metro Tractor, an Independent Third Party, each had a 50% shareholding interest in ECI Metro Investment. According to information provided by Metro Tractor, Metro Tractor is an investment holding company and is part of Metro Machinery Group, which is principally engaged in the distribution of heavy equipment and has over 30 years of experience in the heavy equipment business in Thailand. ECI Machinery has not entered into any written joint venture agreement with Metro Tractor in respect of their interests in ECI Metro Investment. The shareholders relationship of ECI Metro Investment is governed by its articles of association. Under the articles, shareholders resolutions can be passed with a simple majority of the votes of the shares entitled to vote thereon which were present (in person or by proxy) at the meeting. The directors of ECI Metro Investment shall be elected by its shareholders and a director may be removed from office, with or without cause, by shareholders resolution.

HISTORY AND CORPORATE STRUCTURE

Zhanjiang Deni

Zhanjiang Deni was established in the PRC on 11 November 1992 in the name of 湛江德利化油器有限公司 (Zhanjiang Deni Carburetor Co. Ltd.*) and was renamed as 湛江德利車輛部件有限公司 (Zhanjiang Deni Vehicle Parts Co. Ltd.*) on 20 August 2014, with our Group originally holding a 35% equity interest and commenced operations in January 1993. It is engaged in the manufacture and sale of carburetors and automotive parts. In December 1994, as a result of an increase in the registered share capital of Zhanjiang Deni and the participation of an additional joint venture partner, our shareholding in Zhanjiang Deni was reduced to 28%. Our Group had joint control over Zhanjiang Deni as of 1 January 2011. In May 2011, one of the joint venture partners acquired additional equity interest of Zhanjiang Deni from another joint venture partner and the articles of association of Zhanjiang Deni were amended. Since then, our Group has not had joint control over Zhanjiang Deni and Zhanjiang Deni has become our associated company. As at the Latest Practicable Date, Golden Industrial, a wholly-owned subsidiary of our Company, held a 28% equity interest in Zhanjiang Deni and Dongfeng Electronic and Guangdong Rising, Independent Third Parties, held 52% and 20% equity interest in Zhanjiang Deni, respectively.

According to the articles of association of Zhanjiang Deni entered into between Golden Industrial, Dongfeng Electronic and Guangdong Rising, the board of directors of Zhanjiang Deni shall consist of eleven members, three of whom shall be appointed by Golden Industrial. Under the articles, board resolutions can generally be passed with the approval of not less than one-half of the directors attending the relevant board meeting, with the exception of the following matters on which board resolutions shall only be passed by the board unanimously: (i) amendment of the articles of association; (ii) termination, dissolution and liquidation of Zhanjiang Deni; (iii) increase or transfer of the registered capital of Zhanjiang Deni; (iv) merger of Zhanjiang Deni with any other entity; (v) strategic development planning of Zhanjiang Deni; (vi) approval of annual profit distribution of Zhanjiang Deni; (vii) confirmation, transfer and acceptance of the trademark by Zhanjiang Deni; and (viii) guarantee to be granted by Zhanjiang Deni.

On 25 December 2014, Zhanjiang Deni entered into an equity interest transfer agreement in relation to its acquisition of 100% of the equity interest in Dongfeng Shiyan from Dongfeng Electronic and 上海東儀汽車貿易有限公司 (Shanghai Dongyi Automobile Trade Co. Ltd.*), which at that time held 99% and 1%, respectively, of the equity interest in Dongfeng Shiyan. The total consideration for the acquisition was RMB58,649,600. The acquisition was completed on 5 January 2015. Following the acquisition, Dongfeng Shiyan became a wholly-owned subsidiary of Zhanjiang Deni. Dongfeng Shiyan was established in the PRC on 25 November 2003 and currently has a registered capital of RMB100 million.

HISTORY AND CORPORATE STRUCTURE

THE REORGANISATION

In preparation for the Listing, we carried out the following principal steps with respect to the Reorganisation. All steps involved in the Reorganisation were conducted in accordance with applicable laws and regulations.

Transfer of Chia Tai Pucheng and Chia Tai Huazhong

On 25 September 2014, CPP entered into a sale and purchase agreement (and a supplemental addendum thereto was entered into on 16 April 2015) with our Company in respect of the transfer of the 100% shareholding in Chia Tai Pucheng and Chia Tai Huazhong held by CPP to our Company at the consideration of HK\$118,715,551.85 which had been determined on the basis of the net asset value of Chia Tai Pucheng and Chia Tai Huazhong as at 31 August 2014. As a result of the completion of such transfer on 11 June 2015, our Company now holds (i) 100% shareholding in Chia Tai Pucheng which in turn holds 36.6% equity interest in Pucheng Chia Tai and (ii) 100% shareholding in Chia Tai Huazhong which in turn holds 33.1% equity interest in Pucheng Chia Tai. Because of our Group's total holding of 69.7% equity interest in Pucheng Chia Tai, Pucheng Chia Tai has become a subsidiary of our Group.

Following the transfer of Chia Tai Pucheng and Chia Tai Huazhong, Pucheng County Biochemical Factory and Zhengzhou Jinyuweiye, which hold 15.3% and 14.2% equity interests in Pucheng Chia Tai, have respectively become substantial shareholders of our subsidiary and connected persons of our Company.

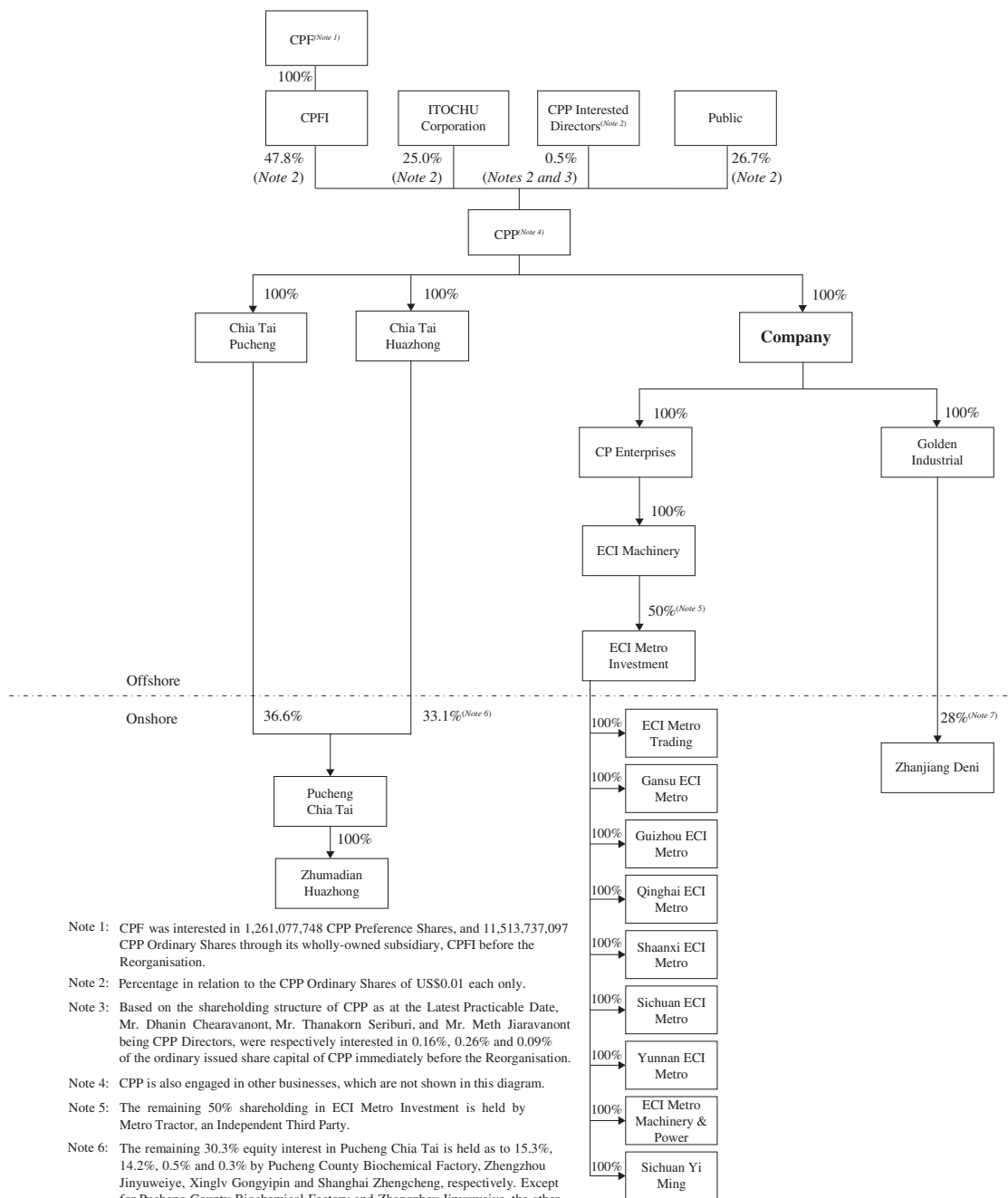
CAPITALISATION ISSUE

The Capitalisation Issue is subject to the Listing Committee granting the listing of, and permission to deal in, our Ordinary Shares in issue as of the Distribution Record Date and any Ordinary Shares which may be issued upon exercise of the conversion rights attached to the Preference Shares or pursuant to the exercise of options which may be granted under the Share Option Scheme on the Stock Exchange, and will be effected immediately prior to the Listing. Pursuant to the Capitalisation Issue, and assuming the number of CPP Shares in issue as at the Distribution Record Date is the same as at the Latest Practicable Date, our Company will allot and issue up to 228,766,372 Ordinary Shares and 12,610,777 Preference Shares, credited as fully paid, to CPP by way of capitalisation of (i) firstly, the balance due to CPP arising from the consideration payable under the Reorganisation and the amount due from our Company to CPP as at the date on which the Listing Committee grants approval for the Listing and (ii) as to any remainder, out of our profit available for distribution. Our Company will have an issued share capital of up to US\$25,332,914.90 divided into up to 240,718,372 Ordinary Shares and 12,610,777 Preference Shares of US\$0.10 each after the Capitalisation Issue and immediately prior to the Listing.

HISTORY AND CORPORATE STRUCTURE

CORPORATE STRUCTURE

The following diagram illustrates our Group's major operating companies immediately prior to the completion of the Reorganisation:



Note 1: CPF was interested in 1,261,077,748 CPP Preference Shares, and 11,513,737,097 CPP Ordinary Shares through its wholly-owned subsidiary, CPFI before the Reorganisation.

Note 2: Percentage in relation to the CPP Ordinary Shares of US\$0.01 each only.

Note 3: Based on the shareholding structure of CPP as at the Latest Practicable Date, Mr. Dhanin Chearavanont, Mr. Thanakorn Seriburi, and Mr. Meth Jiaravanont being CPP Directors, were respectively interested in 0.16%, 0.26% and 0.09% of the ordinary issued share capital of CPP immediately before the Reorganisation.

Note 4: CPP is also engaged in other businesses, which are not shown in this diagram.

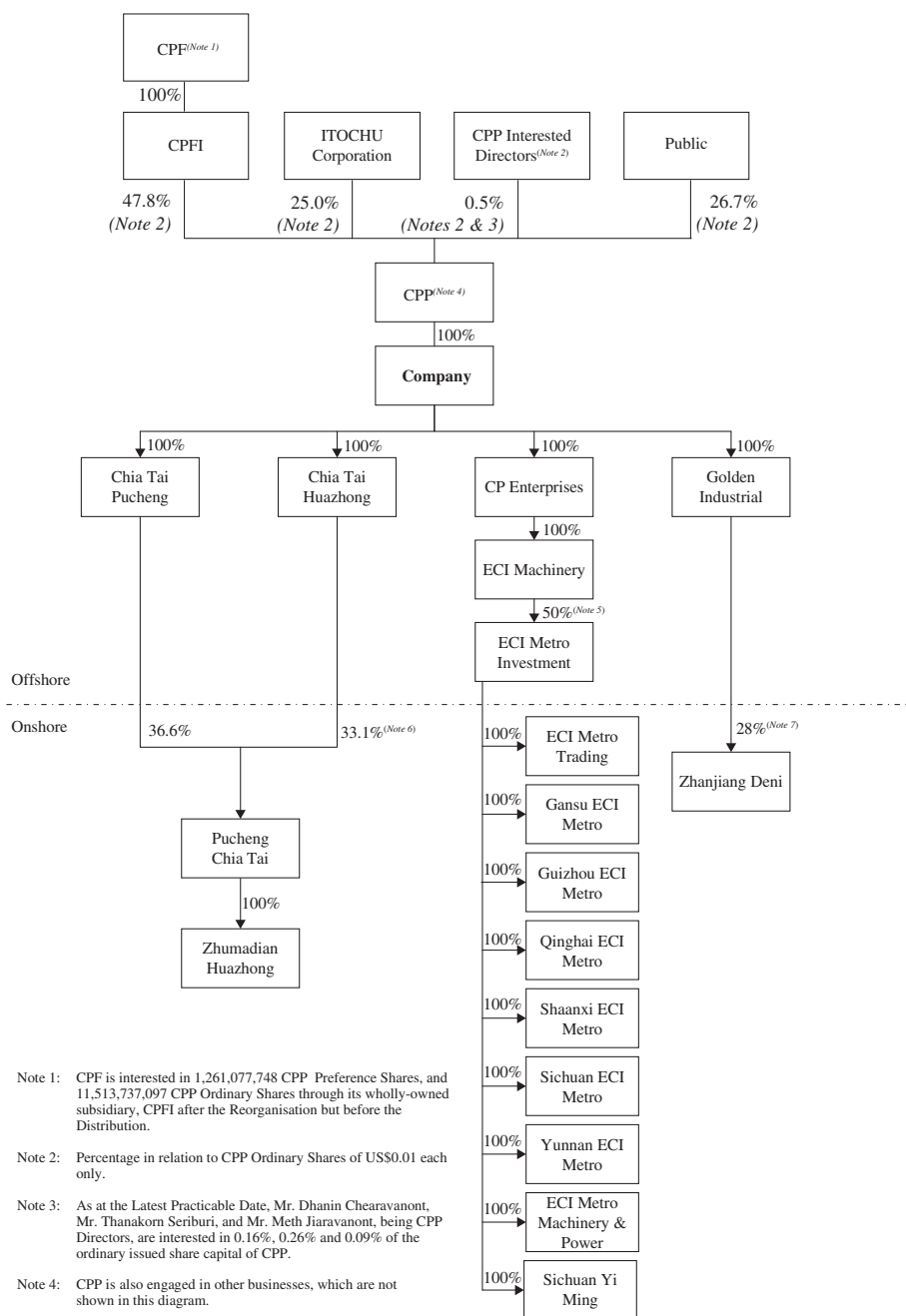
Note 5: The remaining 50% shareholding in ECI Metro Investment is held by Metro Tractor, an Independent Third Party.

Note 6: The remaining 30.3% equity interest in Pucheng Chia Tai is held as to 15.3%, 14.2%, 0.5% and 0.3% by Pucheng County Biochemical Factory, Zhengzhou Jinyuweiye, Xinglv Gongyipin and Shanghai Zhengcheng, respectively. Except for Pucheng County Biochemical Factory and Zhengzhou Jinyuweiye, the other equity holders are Independent Third Parties.

Note 7: The remaining 72% equity interest in Zhanjiang Deni is held as to 52% and 20% by Dongfeng Electronic and Guangdong Rising, respectively which are Independent Third Parties.

HISTORY AND CORPORATE STRUCTURE

The following diagram illustrates the structure of our Group immediately following the completion of the Reorganisation but before the Distribution (assuming there is no change in the shareholdings in CPP from the shareholdings as at the Latest Practicable Date):



Note 1: CPF is interested in 1,261,077,748 CPP Preference Shares, and 11,513,737,097 CPP Ordinary Shares through its wholly-owned subsidiary, CPFI after the Reorganisation but before the Distribution.

Note 2: Percentage in relation to CPP Ordinary Shares of US\$0.01 each only.

Note 3: As at the Latest Practicable Date, Mr. Dhanin Chearavanont, Mr. Thanakorn Seriburi, and Mr. Meth Jiaravanont, being CPP Directors, are interested in 0.16%, 0.26% and 0.09% of the ordinary issued share capital of CPP.

Note 4: CPP is also engaged in other businesses, which are not shown in this diagram.

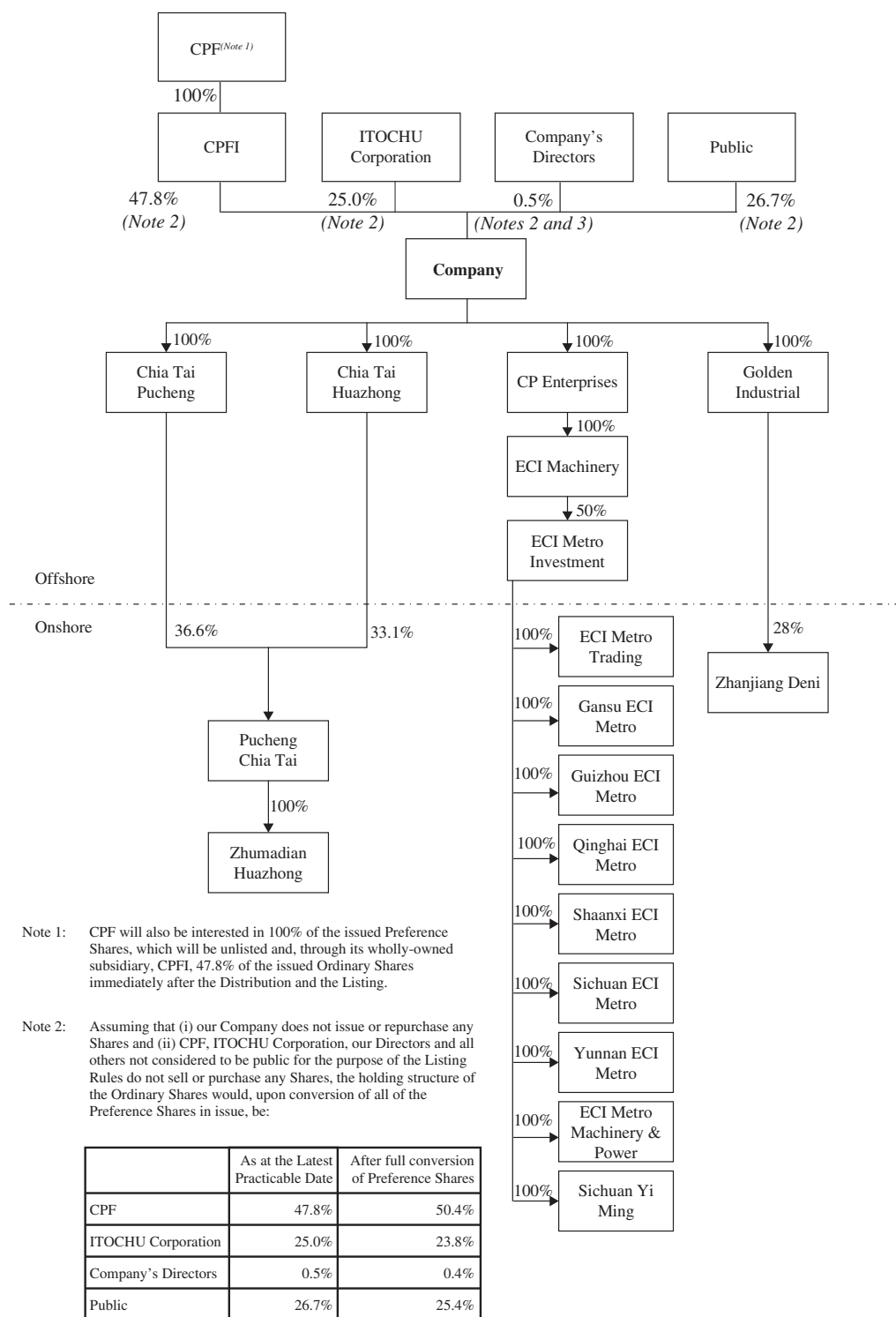
Note 5: The remaining 50% shareholding in ECI Metro Investment is held by Metro Tractor, an Independent Third Party.

Note 6: The remaining 30.3% equity interest in Pucheng Chia Tai is held as to 15.3%, 14.2%, 0.5% and 0.3% by Pucheng County Biochemical Factory, Zhengzhou Jinyuweiye, Xinglv Gongyipin and Shanghai Zhengcheng, respectively. Except for Pucheng County Biochemical Factory and Zhengzhou Jinyuweiye, the other equity holders are Independent Third Parties.

Note 7: The remaining 72% equity interest in Zhanjiang Deni is held as to 52% and 20% by Dongfeng Electronic and Guangdong Rising, respectively which are Independent Third Parties.

HISTORY AND CORPORATE STRUCTURE

The following diagram illustrates the shareholding structure of our Group in relation to the Ordinary Shares immediately after the completion of the Reorganisation and the Distribution and upon the Listing:



Note 3: Mr. Thanakorn Seriburi and Mr. Thirayut Phityaisarakul, who are directors of the Company, will be interested in 0.3% and 0.2% of the issued ordinary share capital of the Company, respectively immediately after the Distribution and upon the Listing.

THE DISTRIBUTION AND SPIN-OFF

DISTRIBUTION

On 18 March 2015, the board of directors of CPP conditionally approved the proposal relating to the Distribution and recommended the declaration of a conditional special interim dividend by CPP to be satisfied by way of a distribution in specie of CPP's holding in the entire issued share capital of our Company consisting of Ordinary Shares and Preference Shares, so that Ordinary Shares would be distributed to CPP Ordinary Shareholders and Preference Shares would be distributed to CPP Preference Shareholder(s), in both cases if such CPP Ordinary Shareholders and CPP Preference Shareholder(s) are CPP Qualifying Shareholders and in proportion to their respective holdings of CPP Ordinary Shares or, as the case may be, CPP Preference Shares on the Distribution Record Date. The Distribution was approved by CPP Ordinary Shareholders at the SGM as required under Bye-law 128 of the CPP Bye-laws.

Background of the issuance of CPP Preference Shares

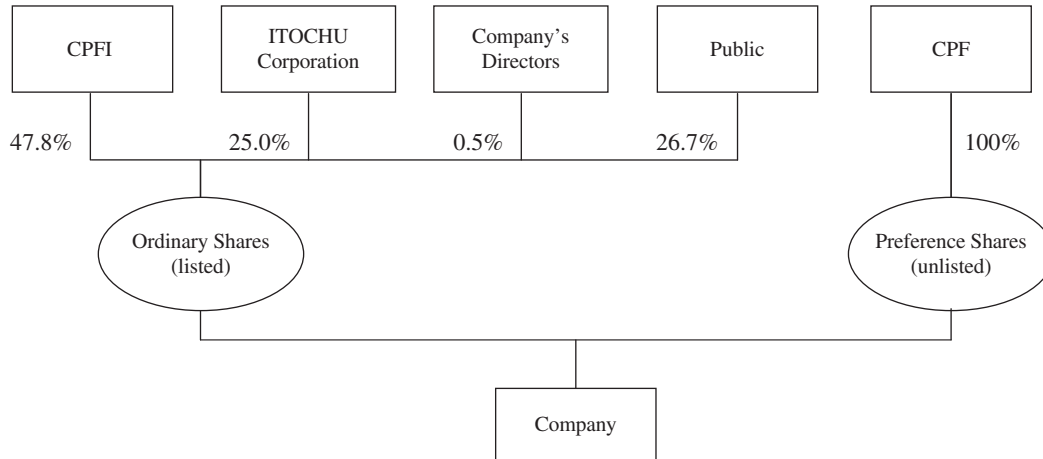
In May 2011, CPP entered into an acquisition agreement with CPG Overseas Company Limited (a direct wholly owned subsidiary of CPG) in relation to the acquisition of CPG's 100% interest in Modern State Investments Limited, which holds 70.82% shareholding interest in C.P. Vietnam Livestock Corporation. The total consideration for such acquisition was HK\$4,735 million and was partially satisfied by the issue of a total of 3,261,077,748 CPP Preference Shares by CPP to Orient Success International Limited ("OSIL"). OSIL transferred all of the CPP Preference Shares to CPF in January 2012. In July 2014, CPF converted 2,000,000,000 CPP Preference Shares into CPP Ordinary Shares and as at the Latest Practicable Date owned the remaining 1,261,077,748 CPP Preference Shares, which represent 100% of the CPP Preference Shares in issue.

Distribution mechanism

Our Directors understand that CPP intended that at the time of the Distribution and the Listing, we would have a share capital structure which would as far as practicable be identical to that of CPP. Pursuant to the Distribution, each CPP Ordinary Shareholder who is a CPP Qualifying Shareholder will be entitled to one Ordinary Share for every 100 CPP Ordinary Shares held on the Distribution Record Date, and each CPP Preference Shareholder who is a CPP Qualifying Shareholder will be entitled to one Preference Share for every 100 CPP Preference Shares held on the Distribution Record Date. Fractional entitlements will be disregarded. We have applied to the Listing Committee for the listing of, and permission to deal in, our Ordinary Shares in issue as of the Distribution Record Date and any Ordinary Shares which may be issued upon exercise of the conversion rights attached to the Preference Shares or pursuant to the exercise of options which may be granted under the Share Option Scheme. Subject to approval for the same being granted, dealings in our Ordinary Shares on the Main Board of the Stock Exchange are expected to commence on 3 July 2015 and our Ordinary Shares will be traded in board lots of 500 Ordinary Shares. Based on the issued share capital of CPP as at the Latest Practicable Date and assuming this will remain unchanged on the Distribution Record Date, the number of issued Ordinary Shares and issued Preference Shares of our Company will be up to 240,718,372 and 12,610,777 respectively, which will comprise

THE DISTRIBUTION AND SPIN-OFF

the entire issued share capital of our Company. Please refer to the sub-section headed “Summary of the Constitution of the Company and Bermuda Company Law – Bye-laws” in Appendix II to this listing document for a summary of the principal terms of the Preference Shares. The following diagram illustrates the shareholding structure of our Company immediately after the Distribution and upon the Listing:



If, based on the register of members of CPP as at the close of business on the Distribution Record Date, there are CPP Shareholders with registered addresses outside of Hong Kong, the CPP Directors will make enquiries regarding the legal restrictions under the laws of the relevant jurisdictions and the requirements of the relevant regulatory body or stock exchange in that jurisdiction in respect of the Distribution. If the CPP Directors, having made relevant enquiries, consider that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant jurisdiction or any requirement of the relevant regulatory body or stock exchange in that jurisdiction, to exclude such CPP Overseas Shareholders from the entitlement to receive Shares under the Distribution, the CPP Overseas Shareholders (if any) will be entitled to the Distribution but will not receive our Shares. Instead, as soon as reasonably practicable after dealings in our Ordinary Shares commence on the Stock Exchange, CPP will sell, if possible and at the then prevailing market price, the Shares to which such CPP Overseas Shareholders would otherwise be entitled pursuant to the Distribution on their behalf. The CPP Overseas Shareholders will receive a cash amount which is equal to the net proceeds from the sale if such proceeds are equal to or more than HK\$100. If the net proceeds are less than HK\$100, CPP will retain such amount in its account. The net proceeds from such sales will be paid to the relevant CPP Overseas Shareholders in Hong Kong dollars. Cheques for such net proceeds are expected to be despatched around one month following the commencement of dealings in our Ordinary Shares on the Stock Exchange.

THE DISTRIBUTION AND SPIN-OFF

SPIN-OFF

The Spin-off will be implemented in compliance with the Listing Rules including Practice Note 15 to the Listing Rules. As the disposal of its shareholding interest in our Company following completion of the Spin-off is by way of the Distribution, the Spin-off will not be a transaction by CPP for the purposes under Chapter 14 of the Listing Rules and accordingly there will be no requirement to comply with the notification or shareholders' approval requirements thereunder.

The Spin-off is conditional upon the Listing Committee granting the listing of, and permission to deal in, our Ordinary Shares in issue and any Ordinary Shares which may be issued pursuant to the exercise of conversion rights attached to the Preference Shares or the exercise of options which may be granted under the Share Option Scheme, on the Main Board of the Stock Exchange. If such condition is not satisfied, the Distribution will not be made and the Spin-off will not take place, in which case an announcement will be made.

The Spin-off will not involve any offering of new Shares or any other securities and no new proceeds will be raised.

The share certificates for our Shares are expected to be despatched to the CPP Qualifying Shareholders on 2 July 2015 by ordinary post at their own risk. Share certificates will only become valid if the Distribution and the Spin-off become unconditional. One share certificate will be issued to each CPP Qualifying Shareholder for his entitlement to our Ordinary Shares or, for any CPP Qualifying Shareholder entitled to a number of Ordinary Shares exceeding one board lot of 500 Ordinary Shares, one share certificate representing his entitlement to the largest whole multiple of a board lot of 500 Ordinary Shares and a share certificate for the balance of his entitlement to Ordinary Shares, or, as the case may be, one share certificate will be issued to each CPP Qualifying Shareholder for his entitlement to our Preference Shares, save for share certificates to be issued to HKSCC Nominees, which may be in such denominations as requested by them. If the Distribution does not become unconditional, dealings in our Ordinary Shares on the Stock Exchange will not commence on 3 July 2015. In such event, we will make an announcement of the above and, if necessary, of a revised timetable.

The CPP Qualifying Shareholders who hold CPP Ordinary Shares through CCASS Clearing Participants or CCASS Custodian Participants will receive our Ordinary Shares through their respective brokers or custodians who are CCASS Clearing Participants or CCASS Custodian Participants.

THE DISTRIBUTION AND SPIN-OFF

REASONS FOR AND BENEFITS OF THE SPIN-OFF AND THE LISTING

As stated in the circular of CPP issued to CPP Shareholders on 26 March 2015, CPP believes that the Spin-off will better position each of the Remaining CPP Group and our Group for growth in its respective lines of business and deliver benefits to both by:

- (a) ***Creating own investor base for the biochemical business and the industrial business:*** Through the Spin-off and Listing, our biochemical business and our interest in the industrial business will be able to be valued separately from the Remaining CPP Group on the basis of our Group's own merits with increased operational and financial transparency. The Spin-off will also help to create a new investor base for our Group as it will be able to attract new investors who are seeking investments specifically in the biochemical and industrial sectors. It may also position the Remaining CPP Group to better attract investors who are only focused on the agri-food business.
- (b) ***Clarifying the equity story and enhancing financing flexibility:*** As a result of the Spin-off and Listing, the Remaining CPP Group and our Group will have separate fundraising platforms in the equity and debt capital markets, which will increase financing flexibility for each of these two separate groups of companies to support their respective growth.
- (c) ***More defined focus and efficient resource allocation:*** CPP has been continuously listed on the Stock Exchange since 1988. Prior to 2008, the CPP Group was principally engaged in the agribusiness and the biochemical business operated by our Group together with its interests in the industrial business, as well as the manufacture and sale of motorcycles. In August 2008, it completed the disposal of its agribusiness operations. From that time onwards until February 2010, CPP continued to be listed on the Main Board of the Stock Exchange when the CPP Group's principal businesses were the biochemical business currently operated by our Group and the industrial business in which our Group currently has interests, as well as the manufacture of motorcycles. Interests in the agribusiness were subsequently re-introduced to the CPP Group pursuant to a restructuring completed at the end of February 2010. Our Company will following the Spin-off therefore be substantially comparable to CPP as it was between August 2008 and February 2010.

Our Group's biochemical and industrial activities have been a relatively small part of the CPP Group and their share of resources and management attention of the CPP Group is relatively small. Following the Spin-off and the Listing, our Group under our dedicated management team will be able to capture resources and develop and pursue strategies which are aimed at further expanding our own biochemical business and interests in industrial business.

- (d) ***Separate share option schemes to incentivize staff of separate businesses:*** The Share Option Scheme is designed to provide incentives, inter alia, to the staff of our Group measured by reference to the performance of our securities, whilst the equivalent scheme of CPP will continue to provide incentives, inter alia, to the staff of the Remaining CPP Group measured by reference to the performance of CPP securities after the Spin-off.

THE DISTRIBUTION AND SPIN-OFF

In addition, our Group believes that the future investors of our Group can benefit from the grouping of the biochemical and industrial businesses in the following ways:

- (a) ***A diversified business portfolio encompassing biochemical and industrial businesses:*** Our Group is one of the leading CTC producers globally, and has interests in a sales distributor for Caterpillar Products with its service territory covering the western part of the PRC (excluding the Xinjiang Uyghur Autonomous Region) and in a major motorcycle carburetors manufacturer in the PRC. Our Group has a diversified business portfolio, engaging in the biochemical business and having an interest in the industrial business. This diversified mix of businesses helps our Group to diversify the risks of a slowdown or disruption of demand in any particular business segment and maintain a steady stream of operating income.

- (b) ***An enhanced financing capability:*** With the combined income streams from the biochemical and industrial businesses, our Group has an enhanced financing capability to help fund future growth and development, including through expansion of production scale and/or facilities and acquisitions in the two sectors when suitable opportunities arise.

The Spin-off is designed to facilitate the future growth of our Group and the Remaining CPP Group.

As the Spin-off will be implemented by way of the Distribution to the CPP Qualifying Shareholders, such shareholders will continue to enjoy the benefits from the development of the business of the Remaining CPP Group whilst, so long as they remain Shareholders of our Company, enjoy the benefits from the development of our Group. In light of the foregoing, the CPP Directors do not consider there to be any adverse impact on the interests of the CPP Shareholders as a result of the implementation of the Spin-off.

INDUSTRY OVERVIEW

This section contains statistics, industry data or other information relating to the CTC and construction equipment industries that were prepared from various government or official sources that are publicly available. We believe that the sources of such information is appropriate for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sole Sponsor, any of our or their respective directors, officers, affiliates, advisers of representatives, or any other party involved in the Spin-off and no representation is given as to its accuracy.

Note: QYResearch made references to “feed-grade CTC”, the former name of CTC Premix, in its research report. Therefore, the term “feed-grade CTC” is used in this section for consistency only and it has the same meaning as CTC Premix.

CTC INDUSTRY

General Overview

According to a 2009 presentation of Jacques Diouf, the former director general of the Food and Agriculture Organisation, the world population is expected to increase by 34% to 9.1 billion by 2050. This growth is expected to primarily or entirely take place in developing countries and would centre on urban areas, which are predicted to increase by 86%, or by nearly 3 billion people. The combined effect of population growth, urbanisation, increases in purchasing power and living standards will significantly increase demand for nutritious and higher quality food, including meat, eggs and milk, and will impose challenges in the supply of food.

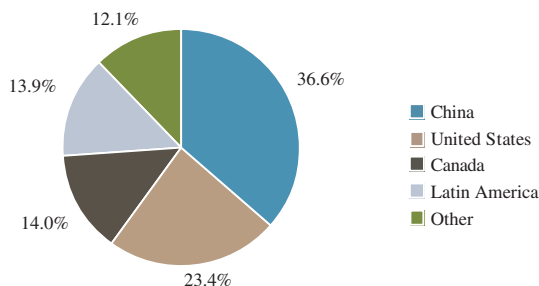
The supply of food has to increase by 70% in order to meet the increasing demand for food globally. Given the limited availability of land, the increase in production of food will have to rely on the modernisation of the agriculture and livestock farming industries. These constraints and the development of intensive livestock farming have a direct and positive impact on the demand for feed additives and therefore provide development opportunities for the CTC industry.

CTC was first developed by the American Cyanamid Company in 1949 to be used as a feed additive. Production of CTC as a feed additive in the PRC began in 1986. Feed-grade CTC can be applied to improve feed efficiency – improve the animal survival rate, growth rate, laying rate and meat yield rate – as well as to reduce morbidity and mortality. Among the various types of feed additives, feed-grade CTC is the most common type of CTC product used as livestock antibiotics to improve feed conversion rate, prevent animal diseases and cure animal diseases.

Global Consumption of CTC

According to QYResearch, the global annual consumption of CTC in 2014 was approximately 111,020 tons, of which the CTC consumption for regions such as the PRC, United States, Canada, Latin America and other countries was approximately 39,400 tons, 26,800 tons, 15,600 tons, 15,700 tons and 13,520 tons, respectively. The chart below sets forth the global CTC consumption market share by region in 2014.

Figure: 2014 Global CTC consumption market share by region



Source: QYResearch, March 2015

INDUSTRY OVERVIEW

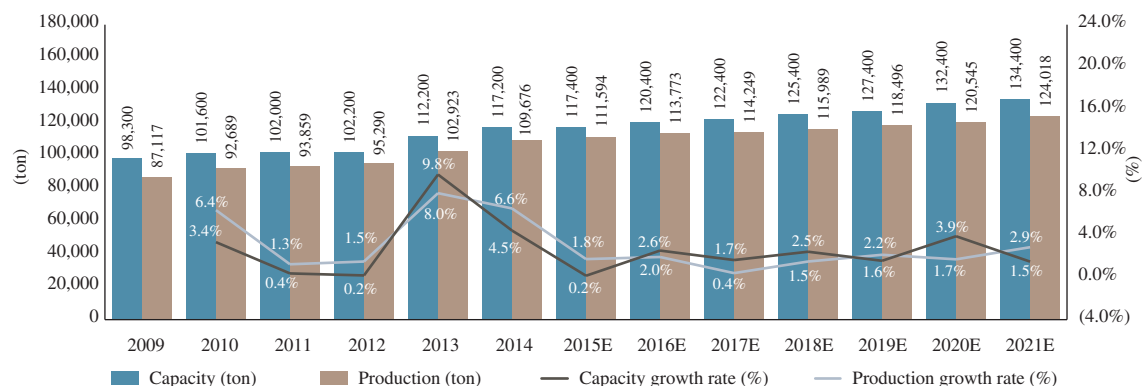
Global Production Capacity and Production Volume of CTC

Since 2009, the global production capacity of CTC has been growing. The global production capacity of CTC increased from approximately 98,300 tons in 2009 to approximately 117,200 tons in 2014, with CAGR of approximately 3.6%. It is expected that the global production capacity of CTC will continue to expand steadily in the coming years reaching approximately 134,400 tons in 2021.

From 2009 to 2014, the global production volume of CTC increased from approximately 87,117 tons to approximately 109,676 tons, representing an annual average increase of approximately 4,512 tons. It is expected that the global production volume of CTC will continue to rise steadily. Based on a capacity utilisation rate of 92.3%, it is estimated that the global production volume of CTC will be approximately 124,018 tons in 2021.

The chart below sets forth the global production capacity and volume of CTC and the global production growth rate of CTC from 2009 to 2021.

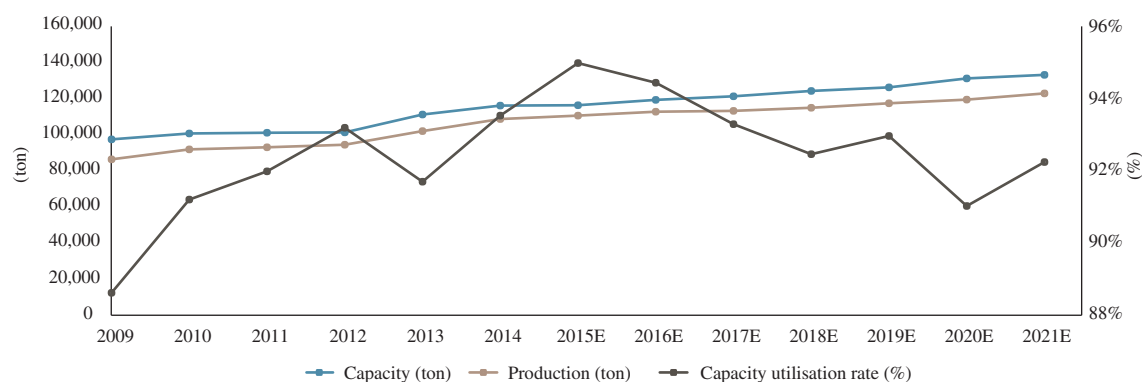
Figure: 2009-2021E Global feed-grade CTC capacity, production and growth rate



Source: QYResearch, March 2015

The chart below sets forth the global feed CTC capacity utilisation rate development trend from 2009 to 2021.

Figure: 2009-2021E Global feed-grade CTC capacity utilisation rate development trend



Source: QYResearch, March 2015

CTC Industry Outlook

With the rapid economic development, population growth, increases in disposable income and living standards, the global demand for food has been increasing and is expected to continue to increase. This will promote the development of livestock farming and therefore it is expected that the global consumption of CTC will experience a steady growth in the future. Although there are other livestock antibiotics substitutes in the market which are more efficient and effective in increasing feed efficiency as well as preventing and treating animal diseases, the production cost of CTC is lower than that of these substitutes. Therefore, it is expected that CTC will remain one of the main livestock antibiotics used as feed additives in livestock farming.

INDUSTRY OVERVIEW

According to QYResearch, the PRC demand for CTC is expected to reach approximately 42,902 tons, 43,652 tons and 45,352 tons in 2019, 2020 and 2021, respectively. It is estimated that the PRC production volume of CTC will be approximately 117,442 tons, 119,486 tons and 122,961, tons in 2019, 2020 and 2021, respectively. The PRC surplus which is expected to be 74,540 tons, 75,834 tons and 77,609 tons in 2019, 2020 and 2021, respectively, will be exported to overseas countries to meet the global demand for CTC.

The tables below set forth the global (including the PRC) and PRC demand, supply, surplus and shortage in CTC from 2009 to 2021.

Table: 2009-2021E Global (including the PRC) and PRC feed-grade CTC demand, supply, surplus and shortage (ton)

	2009	2010	2011	2012	2013	2014	2015E	2016E	2017E	2018E	2019E	2020E	2021E
China Demand (Ton)	24,597	27,246	30,180	33,431	35,599	39,355	40,225	41,252	41,685	42,365	42,902	43,652	45,352
Global Demand (Ton)	87,117	92,689	93,859	95,290	102,923	109,676	111,594	113,773	114,249	115,989	118,496	120,545	124,018
China Supply (Ton)	86,414	92,004	92,998	94,297	101,897	108,641	110,551	112,725	113,196	114,939	117,442	119,486	122,961
Global Supply (Ton)	87,117	92,689	93,859	95,290	102,923	109,676	111,594	113,773	114,249	115,989	118,496	120,545	124,018
China Surplus (Ton)	61,817	64,758	62,818	60,866	66,298	69,286	70,326	71,473	71,511	72,574	74,540	75,834	77,609

Source: QYResearch, March 2015¹

¹ Assuming each enterprise's production amount to be equal to the sales order they receive.

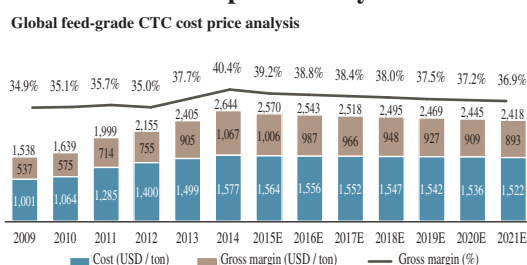
Price Trends of Global and PRC Feed-grade CTC Products

According to QYResearch, global feed-grade CTC prices have risen from USD1,538 per ton in 2009 to USD2,644 per ton in 2014, which was equivalent to a CAGR of 11.4% over the five years. However, in the next seven years, it is expected to drop slightly at a CAGR of 1.3% and reach USD2,418 per ton in 2021.

According to QYResearch, PRC feed-grade CTC prices have risen from USD1,539 per ton in 2009 to USD2,646 per ton in 2014, which was equivalent to a CAGR of 11.4% over the five years. However, in the next seven years, it is expected to drop slightly at a CAGR of 1.3% and reach USD2,419 per ton in 2021.

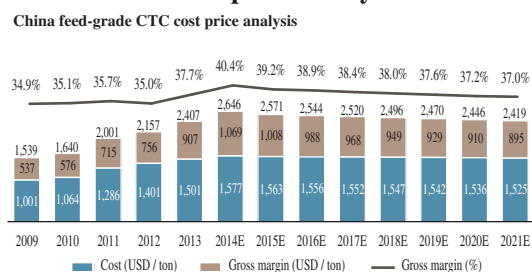
The charts below show the cost price analysis for global feed-grade CTC and PRC feed-grade CTC, respectively, from 2009 to 2021.

Figure: 2009-2021E Global feed-grade CTC cost price analysis



Source: QYResearch, March 2015

Figure: 2009-2021E PRC feed-grade CTC cost price analysis



Source: QYResearch, March 2015

Key Raw Material

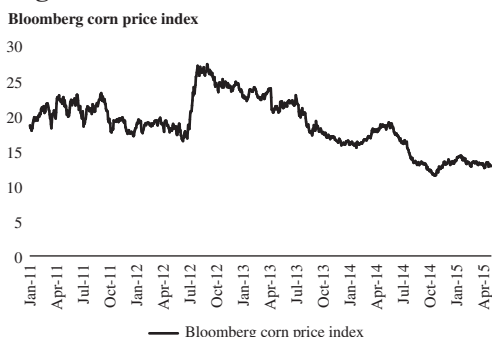
Since corn starch is one of the key raw materials used to manufacture CTC products, any changes or fluctuations in corn prices would affect the performance of CTC manufacturers. According to the Bloomberg corn price index, corn prices have been gradually declining since the middle of 2012 and are now at about the lowest level since the beginning of 2011.

According to QYResearch, the US and the PRC account for over half of the world's corn production, contributing 32.1% and 24.4% in 2012-2013, followed by Brazil, European Union-27 ("EU-27") and Argentina, which contributed 8.3%, 6.4% and 3.3%, respectively, to global corn production during the same period.

INDUSTRY OVERVIEW

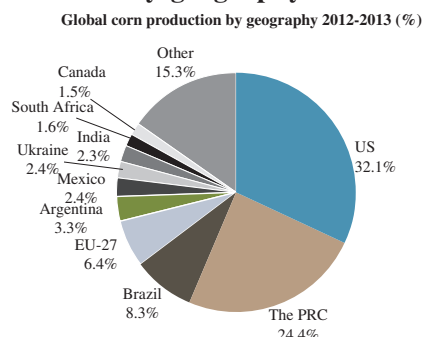
The charts below illustrate the price of corn from 2011 to 2015 YTD and the global corn production by geographic locations from 2012 to 2013.

Figure: 2011-2015 YTD Corn Price



Source: Bloomberg, 9 April 2015

Figure: 2012-2013 Global corn production by geography



Source: QYResearch, March 2015

Competitive Landscape

The CTC industry is dominated by a limited number of large manufacturers. Pucheng Chia Tai and Zhumadian Huazhong of our Group are the top players in the global CTC market; combined they are the largest feed CTC producer globally. According to QYResearch, the major CTC manufacturers besides Pucheng Chia Tai and Zhumadian Huazhong of our Group are Jinhe Biotechnology and Fujian Fukang Pharmaceutical Co., Ltd. (“**Fukang**”).

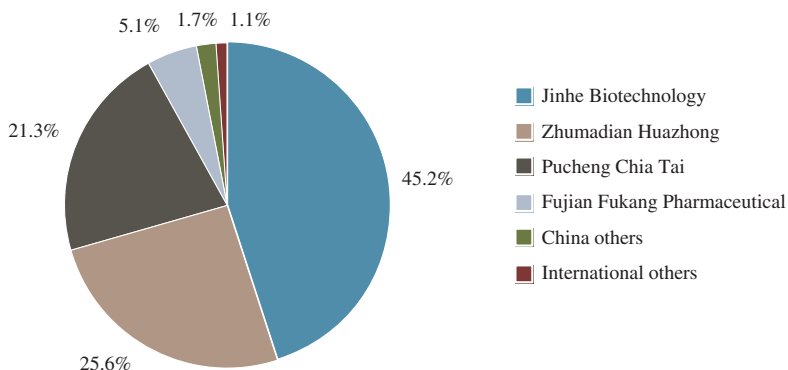
Jinhe Biotechnology is mainly engaged in the production and sale of feed additives such as feed-grade CTC, HCL CTC and salinomycin. Jinhe Biotechnology distributes its feed additives products in both domestic and international markets.

Founded in 1958, Fukang is mainly engaged in the production and sale of 7ACA intermediate, sterile cephalosporin API, antibiotic API, preparation and Animal Feed.

In 2014, the annual production capacities of feed-grade CTC of Jinhe Biotechnology and Fukang were approximately 53,000 tons and 6,000 tons, respectively.

The chart below illustrates the global capacity market share of each of the major CTC manufacturers in 2014.

Figure: 2014 Global capacity market share of the major CTC manufacturers



Source: QYResearch, March 2015

CTC INDUSTRY IN CHINA

Demand for CTC

The large-scale use of feed-grade CTC in the PRC began in the 1990s. As the scale of livestock farming continued to increase and became more intensive and systematic, the demand for feed additives has been growing steadily. Traditional “backyard” farming was gradually

INDUSTRY OVERVIEW

replaced with more systemic, modern, hygienic and scaled livestock farming. The change in nature and rapid development of livestock farming in turn stimulated the demand for CTC in the PRC. Feed-grade CTC was seen as a safe, efficient, low cost and convenient way to increase growth, improve yield and quality, and control disease. According to QYResearch, the demand for CTC in the PRC in 2012, 2013, 2014 amounted to 33,431 tons, 35,599 tons and 39,355 tons, respectively, representing a CAGR of approximately 8.5%. The table below sets forth the historical and estimated demand for CTC in the PRC from 2009 to 2021.

Table: 2009-2021E PRC feed-grade CTC demand

	2009	2010	2011	2012	2013	2014	2015E	2016E	2017E	2018E	2019E	2020E	2021E
China Demand (Ton)	24,597	27,246	30,180	33,431	35,599	39,355	40,225	41,252	41,685	42,365	42,902	43,652	45,352
CAGR													
2009-2021E													5.2%
2009-2014													9.9%
2014-2021E													2.0%

Source: QYResearch, March 2015

Supply of CTC

The total annual supply of CTC in the PRC has grown from approximately 94,297 tons in 2012 to approximately 108,641 tons in 2014, representing a CAGR of approximately 7.3%. The growth in supply was mainly driven by rising demands resulting from the increasing usage of CTC as a feed additive in the PRC. It is expected that the supply of CTC in the PRC will continue to expand steadily in the coming years. The supply of CTC in the PRC is expected to reach approximately 122,961 tons in 2021. According to QYResearch, the surplus of CTC products produced in the PRC is exported to satisfy the global demand for CTC products. The table below sets forth the supply of CTC in the PRC from 2009 to 2021.

Table: 2009-2021E PRC feed-grade CTC supply

	2009	2010	2011	2012	2013	2014	2015E	2016E	2017E	2018E	2019E	2020E	2021E
China Supply (Ton)	86,414	92,004	92,998	94,297	101,897	108,641	110,551	112,725	113,196	114,939	117,442	119,486	122,961
CAGR													
2009-2021E													3.0%
2009-2014													4.7%
2014-2021E													1.8%

Source: QYResearch, March 2015

RELEVANT GOVERNMENT POLICIES

According to the “Eleventh Five-Year Plan of the Feed Industry” issued by the MOA in 2006, the overall objective is to achieve a stable, high quality, efficient and coordinated development in the feed industry to ensure the balance of supply and demand and quality of feed products in the PRC. The PRC focuses on the research and development of new feed additives and competitiveness of feed additives produced, which has contributed to a significant increase in production capacity, quality and variety of feed additives produced in the PRC.

On 5 June 2009, the State Council issued the “Policies to Promote the Development of Biological Production” which stated that biological production was a strategic industry that should be one of the lead high-technology industries in the PRC. The policies (i) focused on several areas, including the development of biological pesticide, biological feed and feed additives, biological fertilizers, plant growth regulators, animal vaccines, diagnostic reagents, modern Chinese veterinary medicine, biological veterinary drugs and microbial degradable agricultural film; (ii) supported enterprises to expand investment in research and development and implemented preferential tax policies; and (iii) encouraged enterprises to expand through capital market financing.

INDUSTRY OVERVIEW

CONSTRUCTION EQUIPMENT INDUSTRY

General Overview

The construction equipment industry is a global industry that services downstream industries such as mining engineering, real estate development and transportation and other infrastructure construction. The size of the construction equipment industry is generally determined by the level of construction activities around the world.

The United States has a long history of construction equipment production and is the home of many well-known construction equipment manufacturers including Caterpillar, John Deere, Case and Ingersoll-Rand.

Caterpillar has been established for nearly 90 years and in 2013 was the world's largest construction equipment manufacturer based on revenue, according to International Construction magazine's annual Yellow Table ranking of the world's largest construction equipment manufacturers.

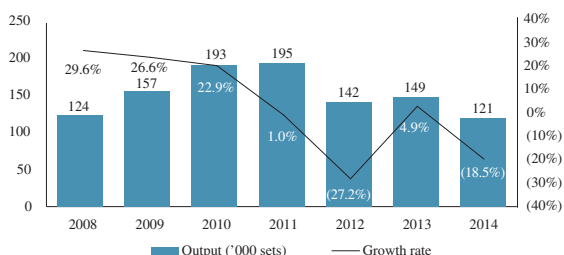
International Construction records that in 2013, aggregate revenues for the world's 50 largest construction equipment manufacturers fell 10% to US\$163 billion, primarily due to the global downturn in the mining industry and the slowdown in the PRC domestic market. Despite this, the PRC and other developing markets are expected to continue to drive demand for construction equipment and be key players in the global construction equipment industry.

CONSTRUCTION EQUIPMENT INDUSTRY IN THE PRC

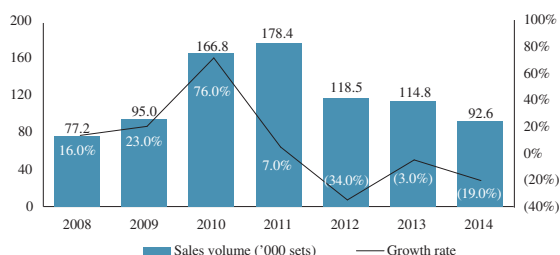
Overview

The construction equipment industry in the PRC has been through a stage of rapid expansion, following PRC Government stimulus measures amounting to RMB4 trillion at the end of 2009. However, during 2011 and 2012, sales volume in the PRC of excavators, one of the major types of construction machinery, experienced negative growth. Reasons for this include an apparent oversupply in the market, increased market competition, certain key components of excavators being limited by foreign technology and large numbers of second-hand excavators being imported into the PRC market.

The chart below sets forth the rate of production of excavators from 2008 to 2014 and the sales volume of excavators from 2008 to 2014.



Source: Huidian Research, April 2015

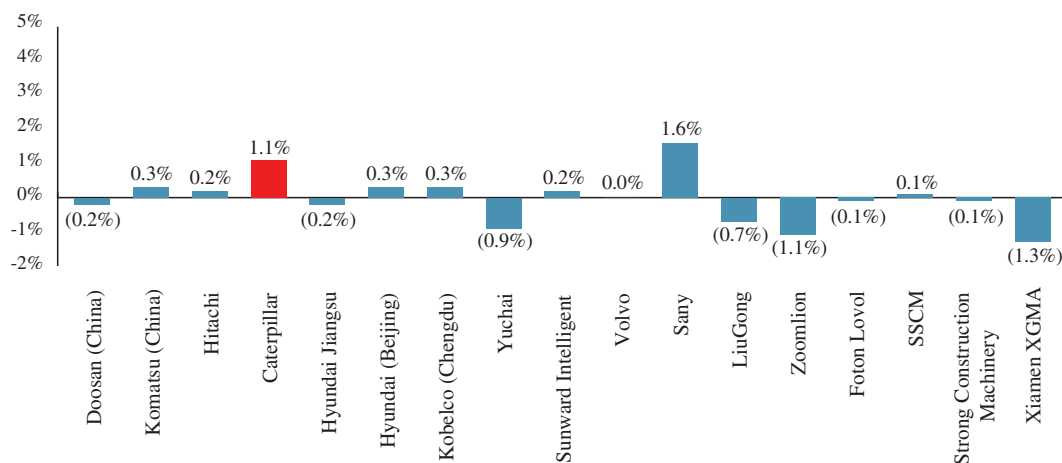


Source: Huidian Research, April 2015

According to industry statistics data by China Construction Machinery Association Excavating Machinery Branch in 2014, the cumulative sales of all types of excavators in 28 excavator manufacturers was 90,507 (including export) in 2014, down 19.5% over the same period of last year to keep consistent with the indexes statistics of fixed asset investment by National Bureau of Statistics of China. In April 2014, the total sales of top 9 foreign brands were 8,753, up 14.1% over last year. The chart below sets forth a year-on-year comparison of the market share of each of the major excavator brands in PRC in 2014.

INDUSTRY OVERVIEW

Figure: Year-on-year comparison on market shares of the PRC’s major excavator brands in 2014



Source: Huidian Research, April 2015

Caterpillar entered the PRC market in the late 1970s. According to Huidian Research, in 2014, Caterpillar’s market share among excavator manufacturers in China saw a year-on-year growth of 1.1%, reaching 10.6%, which placed it second in the market. In 2014, sales of Caterpillar excavators in the PRC reached 9,826 units, up 3.0% over the last year, giving Caterpillar the largest sales volume among foreign brands in the PRC during the period.

PRC Construction Equipment Industry Outlook

The PRC economy has maintained rapid growth in recent years. Despite the global financial crisis in 2008, nominal GDP in the PRC continued to grow from approximately RMB21,631 billion in 2006 to approximately RMB51,932 billion in 2012.

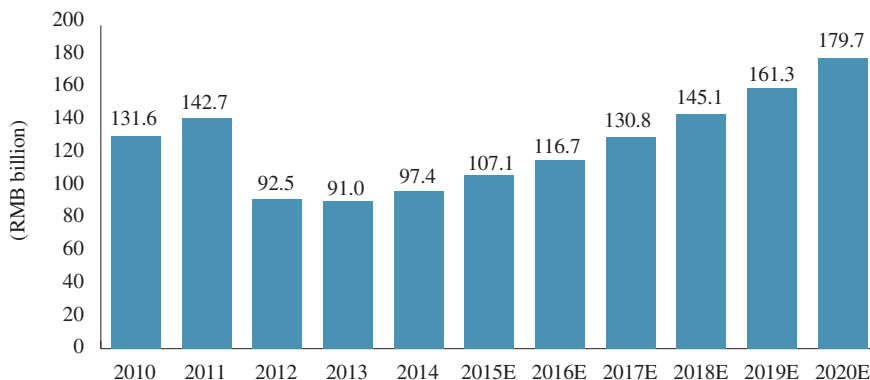
Rapid economic growth and PRC governmental policies have led to accelerating urbanisation in the PRC in recent years. Between 2006 and 2012, the total urban population in the PRC increased from approximately 583 million people to approximately 712 million people, representing approximately 52.6% of the total population of the PRC. Urbanisation and the associated infrastructure construction including railroad, highway and sewage systems will increase the demand for construction machinery.

In June 2013, the NDRC and the Ministry of Transport compiled the “National Highway Network Plan (2013 – 2030)”, which states that 400,000 kilometres of national highways will be constructed as of 2030, involving an investment of approximately RMB4.7 trillion. According to Huidian Research, in 2014, RMB630 million of fixed-asset investment is planned for national railways and more than 6,600 kilometres of new railways will be constructed. The PRC Government’s Twelfth Five Year Plan states that it is expected that construction equipment sales in the PRC will reach RMB900 billion by 2015, with an average annual growth rate of approximately 17%. Excavator sales in the PRC are expected to reach 250,000 units by 2015.

It is expected that urbanisation levels in the PRC will continue to increase, and together with these expected investments in the infrastructure sector, ongoing real estate development and further economic growth, the construction equipment industry in the PRC will continue to grow. However, according to Huidian Research, the growth in the construction equipment industry in the PRC is uneven due to the increase in infrastructure and water projects and real estate development in different parts of the PRC. The chart below sets forth the forecast for the PRC’s excavator market up to 2020.

INDUSTRY OVERVIEW

Figure: Sales amount and forecast of the PRC’s excavators market, 2010-2020



Source: Huidian Research, April 2015

Recent Slowdown in Economic Growth in the Western Part of the PRC

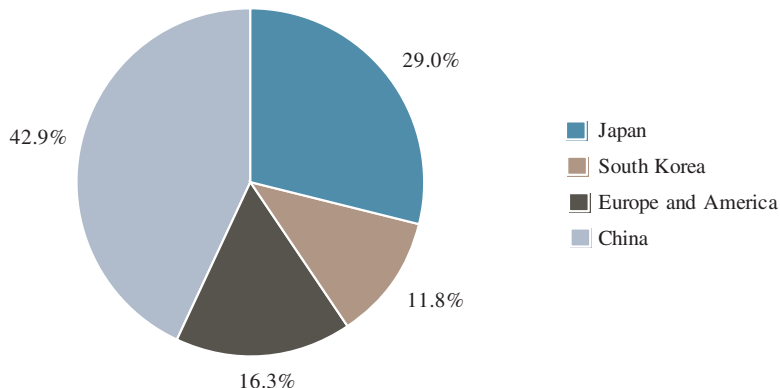
Despite the expected overall growth in the construction equipment industry in the PRC, there has been a downturn in the growth of the industrial sector in the western part of the PRC due to the slowing economic growth in that region (as mentioned in an article titled “Slowdown in Growth of Industrial Production in the West in Q1” published by the NDRC in April 2015). For example, according to an article titled “Polarisation of the Economy in the Western Part of China in 1Q 2015” published in April 2015 on ChinaIRN.com, a website of an industry research institution in the PRC, the economic growth for Shaanxi and Qinghai provinces and Xinjiang Uyghur Autonomous Region slowed from between 9.2% – 10.2% in the first quarter of 2014 to 6.9% – 7.5% in the first quarter of 2015. In addition, the economic growth for Yunnan and Sichuan provinces slowed from between 7.7% – 8.1% in the first quarter of 2014 to 7.2% – 7.4% in the first quarter of 2015. Furthermore, according to an article titled “For Chinese Economy, Strengths Are Now Weaknesses” published by The New York Times in March 2015, there has also been a downturn in the business level of mining companies in the western part of the PRC due to the slowing growth in the PRC economy. This slowdown has led to a decrease in demand for construction equipment in the western part of the PRC. However, it is expected that there is an easing of the industry downturn in the rest of 2015 due to the various infrastructure investments pursuant to The PRC Government’s Twelfth Five Year Plan.

Competitive Landscape

Based on 2014 excavator sales revenue, market shares of domestic brands witnessed a decline to 42.9%. While market shares of Japanese products and European and American products have seen increases to approximately 29.0% and 16.3% respectively; and South Korean brands appeared to be stable, market share had a slight drop to around 11.8%.

The chart below sets forth the market shares of domestic and foreign branded excavators in the PRC in 2014.

Figure: Brands structure of the excavator industry in the PRC in 2014



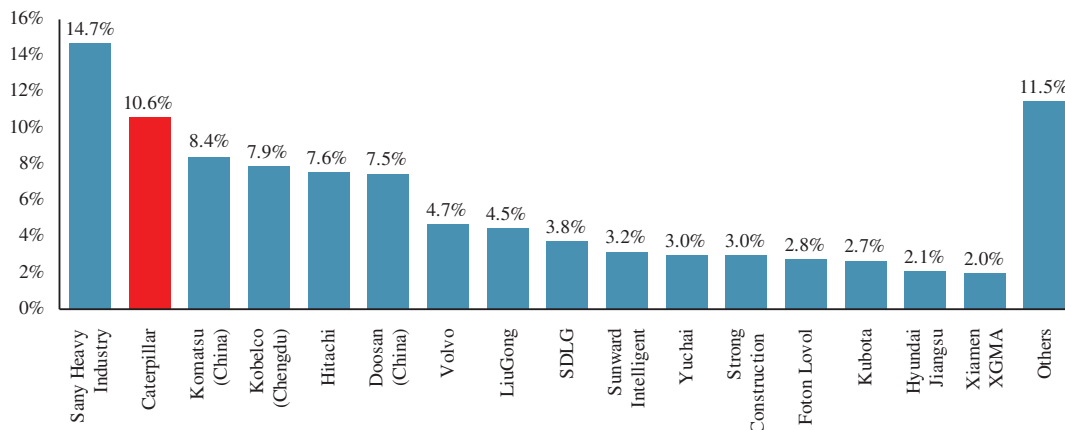
Source: Huidian Research, April 2015

INDUSTRY OVERVIEW

According to Huidian Research, several domestic manufacturers lack independent core technologies and consequently use foreign-manufactured key component parts in their products. The resulting increase in production costs and the lack of after sale support for customers are challenges that the domestic market currently faces.

The chart below sets forth the major players in the construction equipment industry in the PRC in 2014, based on excavator sales revenue.

Figure: Market shares of the PRC's excavator manufacturers in 2014



Source: Huidian Research, April 2015

The leading excavator supplier in the PRC in 2014 was Sany Heavy Industry Co., Ltd., which captured 14.7% of the market. Caterpillar was ranked second, capturing 10.6% of the market.

Caterpillar has stated that the PRC is a priority market and that it is aggressively expanding its production capabilities in the PRC. In March 2012, Caterpillar announced a US\$100 million expansion project for its manufacturing facility in the city of Xuzhou in Jiangsu, China. Caterpillar's stated goal is to be the industry leader in the PRC by 2015.

RELEVANT GOVERNMENT POLICIES

According to the "Guidance on Construction Machinery Industry Development Plan during the Twelfth Five Year Plan" issued by the MIIT in 2011, the PRC Government will promote the PRC construction equipment industry with a focus on research and development, scientific and technological innovation, quality and efficiency.

The "Several Opinions on Encouraging and Guiding the Healthy Development of Private Investment" policies issued by the State Council in 2010 aim to promote private capital investment into infrastructure construction, municipal utilities, policy housing construction and other construction industries, which is expected to directly impact the construction equipment industry.

INDUSTRY OVERVIEW

Against the backdrop of the new “Ten-Years Western Development Strategy” issued by the State Council in 2010, the total investment in the planned development in Western China in 2012 amounted to RMB682.2 billion, with 23 new constructions projects started, including railways, highways, airport expansions and renovations, electric power construction, mine developments and water conservancy projects. It is expected that the demand for construction equipment in the Western region of the PRC will accordingly increase significantly.

INFORMATION SOURCES

QYResearch

Established in 2007, QYResearch (Beijing Hengzhou Bozhi International Information Consulting Co., Ltd.) is a research firm specialised in industry chain research, database services, management and IPO consulting services etc. The company owns large basic databases (such as the National Bureau of Statistics database, customs import and export database, industry association database etc.), experts resources, a professional survey team and a data analysis team. Our Directors and Sole Sponsor have exercised reasonable care in selecting and identifying the source of market data, in compiling, extracting and reproducing such information, and in ensuring that there is no material omission of the information. We paid approximately US\$4,420 to QYResearch for permitting us to disclose in this listing document certain data in their 2015 Deep Research Report on Global and China Feed Chlortetracycline Industry, the preparation of which was not separately commissioned by us for the purpose of the Listing.

Huidian Research

Established in 2005, Huidian Research is a leading industry consulting and market survey firm in China specialised in market research, consumer surveys, expert interviews, project surveys and competition intelligence services. Our Directors and Sole Sponsor have exercised reasonable care in selecting and identifying the source of market data, in compiling, extracting and reproducing such information, and in ensuring that there is no material omission of the information. We paid approximately US\$1,755 to Huidian Research for permitting us to disclose in this listing document certain data in their Research and Investment Prospect Analysis of China Excavator Industry (2015-2020), the preparation of which was not separately commissioned by us for the purpose of the Listing.

DIRECTORS' CONFIRMATION

As of the Latest Practicable Date, after taking reasonable care, our Directors confirm that there is no significant or material adverse change in the market information since the respective dates of the research reports which may qualify, contradict or have an impact on the information herein.

REGULATORY OVERVIEW

OVERVIEW OF REGULATORY POLICIES APPLICABLE TO OUR BUSINESS AND OPERATIONS

Our business activities are subject to a wide range of laws and regulations in the PRC, in particular in connection with the foreign investments, manufacturing of animal drugs, import and export of goods, automotive and motorcycle accessories, land, foreign exchange, health and safety, environmental protection, product quality and consumer protection. The following summarises the main PRC laws, regulations, policies and standards applicable to our business and operations.

Our CTC products are classified as active pharmaceutical ingredient (“API”) products in the United States and are sold to our U.S. customers to manufacture animal drug products. Selling of CTC products in the U.S. subject us to certain regulations enforced by the FDA in relation to API products.

REGULATIONS RELATING TO THE PRC ANIMAL DRUGS INDUSTRY

Supervisory and Regulatory Framework of the PRC Animal Drugs Industry

The principal authority that supervises the PRC animal drugs market is the MOA.

The basis of the regulatory framework for the administration, manufacture and sale of animal drugs in the PRC is provided by the Administrative Regulation on Animal Drugs (《獸藥管理條例》) which was promulgated by the PRC State Council on 9 April 2004 and became effective on 1 November 2004 and was revised on 29 July 2014. The Administrative Regulation on Animal Drugs regulates the PRC animal drugs market; it sets out the requirements and procedures applicable to the development, manufacture, distribution, licensing (including the renewal of licenses) and certification of animal drugs and animal drugs manufacturers and the supervision of the PRC animal drugs market.

Additional rules that are implemented include the following:

- (a) Animal Drugs GMP (《獸藥生產質量管理規範》);
- (b) Animal Drugs GSP (《獸藥經營質量管理規範》);
- (c) Testing and Acceptance Measures for Animal Drugs GMP (《獸藥生產質量管理規範檢查驗收辦法》); and
- (d) Administrative Measures for the Approval Numbers of Animal Drugs Products (《獸藥產品批准文號管理辦法》).

REGULATORY OVERVIEW

Foreign Investment Limitation in the PRC Animal Drugs Industry

Under the Guiding Catalogue of Industries for Foreign Investment (2015 Amendment) (《外商投資產業指導目錄(2015年修訂)》), promulgated on 10 March 2015 by the NDRC and the MOFCOM and effective from 10 April 2015, the animal drugs industry does not fall within the categories of industries in which foreign investments are restricted or prohibited.

Licences and Certificates Required for the Manufacturing of Animal Drugs in the PRC

Animal drugs manufacturers are required to obtain various licences and certificates in order to operate in the PRC. These licences and permits include:

(a) Business Licence (營業執照)

An animal drugs manufacturer must obtain a business licence from the competent office of the Administration for Industry and Commerce before it can commence operation in the PRC.

(b) Animal Drugs Manufacturing Licence (獸藥生產許可證)

Under the Administrative Regulation on Animal Drugs and the Decision of the State Council on Cancelling and Adjusting a Batch of Administrative Examination and Approval Items (Guo Fa [2014] No. 27) (《國務院關於取消和調整一批行政審批項目等事項的決定》(國發[2014]27號)), an animal drugs manufacturer must apply for and obtain an animal drugs manufacturing licence issued by the MOA after obtaining its business licence. This licence is valid for five years and an application for its renewal must be made at least six months prior to its expiry. It sets out various information, such as the manufacturer's licence number, name, registered address, legal representative, production site and production scope. Changes to the information set out in the licence, such as the production site, the production scope, the manufacturer's name or legal representative will require the issuance of a new animal drugs manufacturing licence.

(c) Certificate of Animal Drugs GMP (獸藥GMP證書)

Quality standards applicable to the manufacturing of animal drugs in the PRC are set out in the Animal Drugs GMP (《獸藥生產質量管理規範》) promulgated by the MOA on 19 March 2002 and effective from 19 June 2002. These standards apply, in particular, to the manufacturer's staff, manufacturing facilities, equipment, materials, hygiene, verification, documentation, production and quality monitoring, product distribution and recall policies. The MOA Circular No. 202 – Relevant Requirements on the Implementation of Animal Drugs GMP (《農業部公告第202號—實施〈獸藥GMP規範〉的有關要求》) provided that compliance with the standards set out in the Animal Drugs GMP shall be mandatory since 1 January 2006. Although the MOA abolished such Circular No. 202 on 26 November 2010, the Testing and Acceptance Measures for Animal Drugs GMP (《獸藥生產質量管理規範檢查驗收辦法》) promulgated and revised by the

REGULATORY OVERVIEW

MOA on 10 April 2003, 27 April 2005, 23 July 2010 and 25 May 2015, respectively still provides that Animal Drugs GMP testing and acceptance is legally required for animal drugs enterprises. The MOA is responsible for the Animal Drugs GMP inspection and acceptance and the issuing of certificates of Animal Drugs GMP. An Animal Drugs GMP inspection and acceptance application shall be submitted by the animal drugs manufacturer for its establishment, expansion or modification of existing production lines and, in the case where an existing certificate of Animal Drugs GMP is about to expire, the application for a re-inspection of its production lines shall be submitted at least six months prior to such expiry. After satisfactory inspection results, the MOA will generally issue a certificate of Animal Drugs GMP which sets out, among other things, the relevant manufacturer's certificate number, name, address, scope of inspection and its effective period.

As of the date hereof, we have obtained valid certificates of Animal Drugs GMP for all our production lines.

(d) Approval Number of Animal Drug Products (獸藥產品批准文號)

The Administrative Measures for the Approval Numbers of Animal Drugs Products (《獸藥產品批准文號管理辦法》) was promulgated by the MOA on 24 November 2004 and became effective on 1 January 2005. Pursuant to these administrative measures, an animal drugs manufacturer in the PRC shall obtain a product approval number from the MOA for the manufacture of that particular animal drug by such particular animal drugs manufacturer. The approval number is valid for a stated period of time and the animal drugs manufacturer is required to apply for the renewal of the approval number at least six months prior to expiry if it wishes to continue manufacturing that particular animal drug in the PRC.

As of the date hereof, we have obtained valid approval numbers from the MOA for each of the animal drugs we manufacture.

Licences Required for, and Standards Applicable to the Distribution of Animal Drugs

Animal drugs distributors are required to obtain various licences and certificates from the applicable PRC authorities. They also need to meet specific PRC standards that apply to their operations. These licences, certificates and standards include the following:

(a) Business Licence (營業執照)

An animal drugs distributor must obtain a business licence from the competent office of the Administration for Industry and Commerce before it can commence operation in the PRC.

REGULATORY OVERVIEW

(b) *Animal Drugs Operation licence* (獸藥經營許可證)

Under the Administrative Regulation on Animal Drugs and the Decision of the State Council on Cancelling and Adjusting a Batch of Administrative Examination and Approval Items (Guo Fa [2014] No. 27) (《國務院關於取消和調整一批行政審批項目等事項的決定》(國發[2014] 27號)), an animal drugs distributor must apply for and obtain an animal drugs operation licence issued by the relevant animal drugs administration authority at the county or city level after obtaining its business licence. This licence is valid for five years and an application for its renewal must be made at least six months prior to its expiry. It sets out various information, such as the operator's name, licence number, legal representative, registered address, operation site and operation scope, date of licence issuance and licence effective period. Changes to the information set out in the licence, such as the operation site, operation scope, the operator's name or legal representative will require the issuance of a new animal drugs operation licence.

(c) *Animal Drugs GSP* (《獸藥經營質量管理規範》)

Quality standards applicable to the distribution of animal drugs in the PRC are set out in the Animal Drugs GSP promulgated by the MOA on 15 January 2010 and effective from 1 March 2010. These standards apply, in particular, to the distributor's operation sites and facilities, staff, bye-laws, purchases and storage, displaying and warehousing, distribution and freight. According to the Animal Drugs GSP, any animal drug distributor established before 1 March 2010 must meet the Animal Drugs GSP requirements and obtain the required operation licence before 1 March 2012.

REGULATIONS RELATING TO THE IMPORT AND EXPORT OF GOODS INDUSTRY

Supervisory and Regulatory Framework of the PRC Import and Export of Goods Industry

The regulatory authority that supervises the import and export of goods in the PRC is the Customs of the PRC. General Administration of Customs of the PRC oversees all the customs offices throughout the country.

The PRC Customs Law (《中華人民共和國海關法》) promulgated by the SCNPC on 22 January 1987, effective from 1 July 1987 and revised on 8 July 2000, 29 June 2013 and 28 December 2013, respectively, provides the basis for the regulatory mechanism for the import into and export of goods from the PRC. The PRC Customs Law provides that imported and exported goods shall complete the procedures concerning declaration and payment of duties.

In accordance with the PRC Customs Law, General Administration of Customs of the PRC promulgated and implemented the Provisions of the Customs of the PRC on the Administration of Registration of Declaration Entities (《中華人民共和國海關報關單位註冊登記管理規定》) on 13 March 2014 to regulate the Customs' administration of the registration of declaration entities.

REGULATORY OVERVIEW

Foreign Investment Limitation in the PRC Import and Export Industry

Under the Guiding Catalogue of Industries for Foreign Investment (2015 Amendment) (《外商投資產業指導目錄(2015年修訂)》), promulgated on 10 March 2015 by the NDRC and the MOFCOM and effective from 10 April 2015, the import and export industry does not fall within the categories of industries in which foreign investments are restricted or prohibited.

Licences and Certificates Required for Imported and Exported Goods in the PRC

Under the PRC Customs Law (《中華人民共和國海關法》) and the Provisions of the Customs of the PRC on the Administration of Registration of Declaration Entities (《中華人民共和國海關報關單位註冊登記管理規定》), a consignee or consignor of imported/exported goods may make its customs declarations only after going through the registration procedure for declaration entities with the local customs offices in accordance with the relevant provisions. Unless otherwise specified by the Customs, a Certificate of Registration of the Customs of the PRC for Declaration Entities (《中華人民共和國海關報關單位註冊登記證書》) issued to a consignee or consignor of imported/exported goods will remain to be valid permanently. Where a consignee or consignor of imported/exported goods changes its enterprise name, nature, domicile, legal representative (person in charge) or any other information registered with the Customs, such consignee or consignor of imported/exported goods shall, within 30 days of the day when the change becomes effective, go through the modification procedure with the local customs office.

REGULATIONS RELATING TO THE AUTOMOTIVE AND MOTORCYCLE ACCESSORIES INDUSTRY

Supervisory and Regulatory Framework of the PRC Automotive and Motorcycle Accessories Industry

The principal authority that supervises the PRC automotive and motorcycle accessories industry is GAQSIQ.

The principal regulation that applies to the PRC automotive and motorcycle accessories industry is the Regulation for Administration of Production License of Industrial Products of the PRC (《中華人民共和國工業產品生產許可證管理條例》), together with its implementing measures (《中華人民共和國工業產品生產許可證管理條例實施辦法》). This regulation was promulgated on 9 July 2005 and became effective on 1 September 2005, and has been amended by the fourth batch, the fifth batch and the sixth batch of the decision of the State Council on cancelling and adjusting examination and approval items, respectively, whereas the related implementing measures were promulgated on 15 September 2005 and were amended on 21 April 2010 and 21 April 2014 respectively.

REGULATORY OVERVIEW

Foreign Investment Limitation in the PRC Automotive and Motorcycle Accessories Industry

Under the Guiding Catalogue of Industries for Foreign Investment (2015 Amendment), the automotive and motorcycle accessories industry does not fall within the categories of industries in which foreign investments are restricted or prohibited.

Production License for Industrial Products (工業產品生產許可證)

The GAQSIQ promulgated the Announcement of the Product Catalog Implementing the Production Licence System (《關於公佈實行生產許可證制度管理的產品目錄的公告》) on 20 November 2012.

PRC automotive and motorcycle accessories manufacturers that manufacture automotive and motorcycle accessories listed in the Announcement of the Product Catalog Implementing the Production Licence System (工業產品生產許可證) must obtain a production license for industrial products before they may start the manufacture of such automotive and motorcycle accessories. A production license for industrial products is generally valid for a period of five years and an application for renewal must be made at least six months prior to its expiry date.

FOREIGN EXCHANGE ADMINISTRATION

The PRC government imposes restrictions on international payments and transfers under capital account items. The Foreign Exchange Administration Regulations (《外匯管理條例》) promulgated by the State Council on 29 January 1996 (as amended on 14 January 1997 and 1 August 2008 respectively), and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment (《結匯、售匯及付匯管理規定》) promulgated by the PBOC on 20 June 1996 and effective from 1 July 1996, govern foreign exchange transactions for foreign-invested enterprises. Foreign-invested enterprises are permitted to convert after-tax dividends payable to their foreign investors from RMB into foreign exchange and to remit such foreign exchange from their bank accounts in the PRC. Foreign-invested enterprises may also effect payments for current account items without SAFE's approval, with valid receipts and proof of the relevant transactions. However, prior approval from SAFE is required for foreign exchange conversions for capital account items, including direct investments and capital contributions.

DIVIDEND DISTRIBUTIONS

Pursuant to the Law on Wholly Foreign-Owned Enterprises (《外資企業法》) and the Law on Chinese-Foreign Equity Joint Ventures (《中外合資經營企業法》), foreign-invested enterprises may not distribute after-tax profits unless they have contributed to employees' funds as specified under the PRC laws, rules and regulations, and have set off financial losses during previous accounting years. Undistributed profits from previous accounting years may be distributed together with profits available for distribution during the current accounting year. Foreign-invested enterprises may remit after-tax profits as dividends to overseas equity holders in foreign exchange without seeking SAFE approval.

REGULATORY OVERVIEW

SAFETY SUPERVISION

The Production Safety Law of the PRC (《中華人民共和國安全生產法》), which was promulgated by the SCNPC on 29 June 2002 and revised on 27 August 2009 and 31 August 2014, respectively, the latest revision of which became effective on 1 December 2014, which governs the production safety standards of entities engaged in production and other business activities in the PRC.

TAX FILING APPLICABLE TO EQUITY TRANSFER BY NON-PRC RESIDENT ENTERPRISES

The Circular of the State Administration of Taxation on Strengthening the Administration of Enterprise Income Tax on Non-PRC Resident Enterprises' Equity Transfer Income (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) was promulgated by the SAT on 10 December 2009.

According to Article 5 of this circular, when a foreign investor (actual controlling party) indirectly transfers the equity of a PRC resident enterprise, if the effective tax rate in the country (or region) where the overseas holding company in which equity is being transferred is located is less than 12.5%, or the aforesaid country (or region) does not levy income tax on its residents' overseas income, it shall, within 30 days from the date when the equity transfer contract is concluded, make a tax filing to the competent taxation authority where the PRC resident enterprise in which equity has been transferred is located. Our Reorganisation involves two PRC subsidiaries in which equity was indirectly transferred by their respective foreign investor CPP to our Company.

The Announcement of the State Administration of Taxation on Several Issues Concerning the Enterprise Income Tax on Indirect Property Transfer by Non-Resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) was promulgated by the SAT on 3 February 2015 and became effective as of the date of promulgation. According to Article 19 of this announcement, if any further reorganisation that involves the indirect property transfer of non-resident enterprise occurs after the promulgation of this announcement, or occurred before promulgation but had not been dealt with in terms of tax treatment when the announcement promulgated, it shall be subject to the announcement. According to Article 6 of the announcement, if an intra-group reorganisation meets all of the following three conditions, including: (a) the specific shareholding relationship between the transferor and the transferee (the transferor holds 80% or more of the equity of the transferee, or the transferee holds 80% or more of the equity of the transferor, or the same party holds 80% or more of the equity in both the transferor and the transferee); (b) the China tax burden on any indirect transfer subsequent to the indirect transfer in question will not be less than the China tax burden on an identical or a similar indirect transfer as if the indirect transfer in question has not occurred; and (c) the transferee pays all consideration in the form of equity interest in the transferee or its controlled enterprises (shares of listed companies excluded), the reorganisation will be deemed to have a reasonable commercial purpose and be exempted from EIT.

REGULATORY OVERVIEW

Based on the explanation of the announcement from our PRC legal adviser and taking into account that (i) CPP holds 100% of our Company prior to and immediately following completion of the Reorganisation, (ii) the purpose of the Reorganisation is not, by effecting the indirect transfer through the Reorganisation, to reduce the China tax liability of any future indirect transfer of equity interest in Pucheng Chia Tai and (iii) the consideration of the Reorganisation will be settled (through the Capitalisation) entirely in the form of our Shares, our Directors are of the view that the Reorganisation will meet the above conditions and be deemed to have a reasonable commercial purpose. In addition, our Directors also take into account the relevant tax indemnity given by CPP in the agreement with our Company in relation to the Reorganisation. Therefore, our Directors consider that the announcement will not have any material impact on the Reorganisation.

ENVIRONMENTAL PROTECTION

The Environmental Protection Law (《環境保護法》) promulgated by the SCNPC on 26 December 1989 and revised on 24 April 2014, which amendments became effective on 1 January 2015, establishes the legal framework for environmental protection in the PRC. The MEP supervises environmental protection work in the PRC, and establishes national standards for the discharge of pollutants. Each of the local environmental protection bureaus is in turn responsible for the environmental protection work within their respective jurisdictions.

As of the date hereof, we are not being punished by the MEP or any local environmental protection bureaus for any violation of the Environmental Protection Law and other environmental protection laws and regulations of the PRC which shall materially and adversely affect our business.

Air Pollution

The Air Pollution Prevention Law (《大氣污染防治法》) promulgated by the SCNPC on 5 September 1987 and revised on 29 August 1995 and 29 April 2000, establishes the legal framework for air pollution prevention in the PRC. The MEP formulates national air quality standards. Each of the local environmental protection bureaus is authorised to regulate air pollution within each of their respective jurisdictions by formulating more specific local standards. Violations of the Air Pollution Prevention Law may result in imposition of fines, suspension of business operations or even criminal liabilities.

Water Pollution

The Water Pollution Prevention Law (《水污染防治法》) promulgated by the SCNPC on 11 May 1984 and revised on 15 March 1996 and 28 February 2008, establishes the legal framework for water pollution prevention in the PRC. The MEP formulates national waste discharge standards. Enterprises which discharge waste into water must pay a treatment fee. Each of the local environmental protection bureaus is authorised to regulate water pollution within each of their respective jurisdictions by formulating more specific local standards, and may impose penalties for violation, including suspending operations.

REGULATORY OVERVIEW

Noise Pollution

The Environmental Noise Pollution Prevention Law (《環境噪聲污染防治法》) promulgated by SCNPC on 29 October 1996 and effective from 1 March 1997, establishes the legal framework for noise pollution prevention in the PRC. Under this law, any person undertaking a construction, renovation or expansion project which might cause environmental noise pollution must prepare and submit an environmental impact statement to the MEP or the competent local authority for approval in which the prevention and control measures for the environmental noise pollution shall be included. Facilities to be used for the prevention and control of environmental noise pollution must be designed, built and put into use simultaneously with the project works. Facilities to be used for the prevention and control of environmental noise pollution may not be dismantled or their operation suspended without the approval of the MEP or the competent local authority.

Construction Projects

The Environmental Impact Appraisal Law (《環境影響評價法》) promulgated by the SCNPC on 28 October 2002 and effective from 1 September 2003, the Administration Rules on Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) promulgated by the State Council on, and effective from, 29 November 1998, and the Measures for the Administration of Examination and Approval of Environmental Protection Facilities of Construction Projects (《建設項目竣工環境保護驗收管理辦法》) promulgated by the former State Environmental Protection Administration of China (國家環境保護總局(已撤銷)) on 27 December 2001 and effective from 1 February 2002, require enterprises planning construction projects to engage qualified professionals to provide assessment reports on the environmental impact of such projects. The environmental impact assessment reports must be filed with, and approved by, the competent local environmental protection authority, prior to commencement of any construction work.

PRODUCT QUALITY LAW

The Product Quality Law (《產品質量法》) was promulgated by the SCNPC on 22 February 1993 and was revised on 8 July 2000. Pursuant to the Product Quality Law, a seller shall, among other things, adopt measures to maintain the quality of products for sale and comply with regulations applicable to the labelling of products, and shall not sell defective or damaged products, forge the origin of a product, forge or falsely use another manufacturer's authentication marks, or substitute a fake product for a genuine product or a defective product for a high-quality product.

Failure to comply with the Product Quality Law may result in the imposition of fines, suspension of business operations, revocation of business licenses and criminal liability. Aggrieved consumers may seek compensation from both the manufacturer and the retailer. A retailer may seek reimbursement from the manufacturer in cases where the defect is due to the manufacturer, unless any agreement between the retailer and the manufacturer provides otherwise.

REGULATORY OVERVIEW

CONSUMER PROTECTION LAW

The Consumer Protection Law (《消費者權益保護法》) was promulgated by the SCNPC on 31 October 1993 and was revised on 25 October 2013; it set out standards to be complied with by business operators supplying goods produced or sold by them or providing services to their consumers. These standards apply, among other things, to personal safety and property protection, the provision of truthful information and advertising in relation to goods and services, and giving truthful and clear answers to consumers' questions in relation to goods and services. They aim at ensuring that the actual quality of goods and services is consistent with corresponding advertisements, product descriptions or samples, and that no unreasonable or unfair terms (such as an unreasonable exclusion of civil liability) are imposed on consumers.

Failure to comply with the Consumer Protection Law may result in the imposition of fines, suspension of business operations, revocation of business licenses and criminal liability.

LABOUR AND SOCIAL SECURITY

A number of laws and regulations, including the PRC Labour Law (《中華人民共和國勞動法》), the PRC Labour Contract Law (《中華人民共和國勞動合同法》), the Regulation of Insurance for Work-Related Injury (《工傷保險條例》), the Unemployment Insurance Law (《失業保險條例》), the Interim Measures on Insurance for Maternity of Employees (《企業職工生育保險試行辦法》), the Interim Provisions on Registration of Social Insurance (《社會保險登記管理暫行辦法》), the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) and the Administrative Regulation of Housing Accumulation Funds (《住房公積金管理條例》) relate to labour and social security in the PRC.

According to the PRC Labour Law (《中華人民共和國勞動法》) and the PRC Labour Contract Law (《中華人民共和國勞動合同法》), labour contracts must be in written form and executed. Wages cannot be lower than the local minimum wage and a company must establish a system for labour safety and sanitation that strictly complies with national standards, and provide its employees with appropriate training. Employers are also required to provide their employees with a safe working environment and generally comply with health and safety standards in accordance with PRC State laws, regulations and national standards; further, employers must carry out regular health examinations on employees who are engaged in hazardous occupations.

As required under the Regulation of Insurance for Work-Related Injury (《工傷保險條例》), the Interim Measures on Insurance for Maternity of Employees (《企業職工生育保險試行辦法》), the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), the Interim Provisions on Registration of Social Insurance (《社會保險登記管理暫行辦法》), and the Administrative Regulation of Housing Accumulation Funds (《住房公積金管理條例》), companies are obliged to provide employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, injury insurance, medical insurance and housing accumulation fund.

REGULATORY OVERVIEW

SELLING CTC PRODUCTS IN THE UNITED STATES

Our CTC products are classified as API products in the United States and are sold to our U.S. customers to manufacture animal drug products. In order to sell our CTC products in the United States, we must comply with certain regulations enforced by the FDA in relation to API products.

With the assistance of a U.S. regulatory agent, we have to file a veterinary master file for each of the CTC products we manufacture to the FDA. Such veterinary master file contains detailed information relating to our organisation and personnel, production plants and facilities, equipment, raw materials management, production, packaging and labelling, storage and distribution, laboratories control on raw materials and product qualities and stability studies for each CTC product included in the file. Subsequently, we will provide samples of CTC products to our U.S. customers for inclusion in their trial production of animal drug products. Our U.S. customers will then conduct stability studies on the animal drug products and submit relevant test results to FDA for its approval.

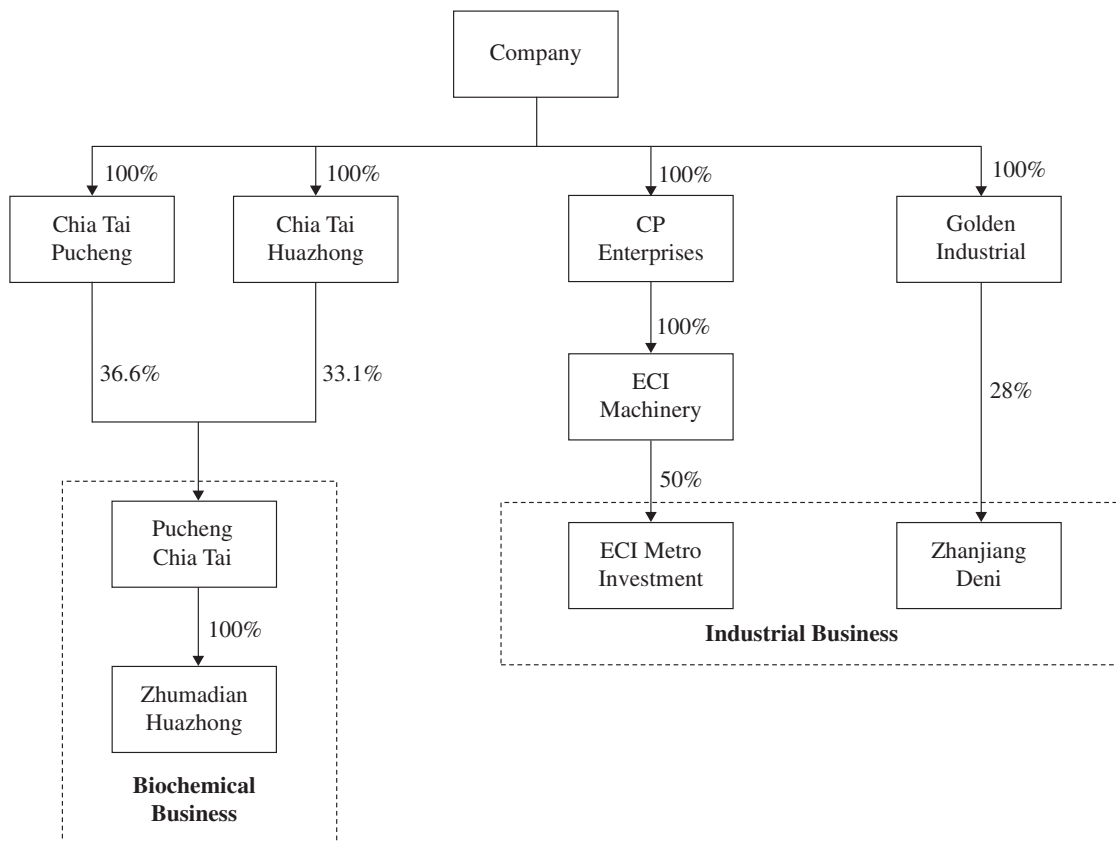
After FDA has approved the relevant stability test results, it will conduct on-site inspection of our CTC production plants for any non-compliance. If there is any, we will be given about one month to rectify and thereafter submit the rectification report to the FDA. Once the FDA has approved the rectification report and the establishment inspection report issued by the FDA inspection officer(s), FDA will issue an acceptance letter to us and notify our U.S. customers that they are allowed to use our CTC products as API products to include in the manufacture of their animal drug products. Normally the entire approval process will take one to two years and the acceptance letter has no specified period of validity.

We are also required to notify the FDA of any changes to the veterinary master file annually. FDA generally conducts on-site inspection of our production plants once every two years to ensure our on-going compliance with the relevant requirements enforced by the FDA for API products.

BUSINESS

OVERVIEW

Our Group is involved in the biochemical business and the industrial business. The biochemical business, which focuses on the manufacture and sale of CTC products, commenced in 1995 and is conducted through subsidiaries which are held by two wholly-owned subsidiaries of our Company, namely Chia Tai Pucheng and Chia Tai Huazhong. The industrial business, which focuses on the trading of Caterpillar Products in the western part of the PRC (excluding the Xinjiang Uyghur Autonomous Region) and the manufacture and sale of carburetors and automotive parts, commenced in 1992 and is conducted through a joint venture and an associated company of our Company, namely ECI Metro Investment and Zhanjiang Deni, respectively. The following diagram shows the simplified business structure of our Group following completion of the Reorganisation:



Please refer to the section headed “General Information – Further Information About The Business Of Our Company – Further information about the subsidiaries of our Company” in Appendix III to this listing document for further information relating to the two subsidiaries of our Company which conduct the biochemical business.

Our Business Model

Our biochemical business

Our product portfolio primarily consists of CTC Premix and CTC HCL, which 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 our Group are produced by our Group and marketed mainly under our Group's own brands "Shihao 施豪" and "Citifac 喜特肥". We derive our revenue from the sale of CTC Premix and CTC HCL. Our biochemical business accounted for all of our combined revenue in each of the three years ended 31 December 2012, 2013 and 2014. Our biochemical business contributed to approximately 83.1%, 44.3% and 42.2% of our profit attributable to shareholder in each of the three years ended 31 December 2012, 2013 and 2014, respectively.

We enter into sales agreements with our customers and we sell our CTC products to customers in the PRC and overseas. Our customers in the PRC are mainly feed mills located in different provinces whereas overseas customers include feed mills, pharmaceutical companies and trading companies.

The principal raw materials used by our two CTC production plants include corn starch, yeast, peanut meal and soybean meal. Our two CTC production plants source raw materials locally in order to reduce transportation costs.

Our Group currently has two CTC production plants in the PRC, namely Pucheng Production Plant (which produces CTC Premix and CTC HCL) and Zhumadian Production Plant (which produces CTC Premix).

The industrial business in which our Group is involved

ECI Metro Group is one of four Caterpillar dealers whose service territories are located in the PRC and ECI Metro Group is responsible for the sale, leasing and customer service of Caterpillar Products within its service territory of Yunnan, Guizhou, Sichuan, Shaanxi, Gansu and Qinghai provinces, Ningxia Hui Autonomous Region, Tibet Autonomous Region and Chongqing municipality. In addition to its headquarters in Chengdu, Sichuan Province, ECI Metro Group has an operating entity in each of the provinces, autonomous regions and municipality.

The revenue of ECI Metro Group is derived from the sales, leasing and customer service of Caterpillar's machinery equipment. Customers who require financing can also purchase Caterpillar Products from ECI Metro Group through the financial leasing service provided by CCFL, which is a wholly foreign-owned enterprise, owned by two subsidiaries of Caterpillar. Most of ECI Metro Group's customers, save for CCFL in its financing capacity, are engineering contractors in the PRC and the key customers include those engaged in the mining and railroad, road and other infrastructure construction industries.

BUSINESS

Caterpillar is the only machinery supplier of ECI Metro Group. ECI Metro Group's business relationship with Caterpillar started in 1995. Caterpillar is the world's leading manufacturer of earthmoving and construction equipment, which is widely used in highway and railway building, port handling, airport construction, waste management, mining and hydropower projects along with other industrial projects.

Zhanjiang Deni is one of the leading manufacturers of carburetors in the PRC and has over 20 years of experience in the manufacture and sale of motorcycle carburetors. It is also engaged in the manufacture and sale of automotive parts. The main carburetor products of Zhanjiang Deni include general engine carburetors, motorcycle carburetors and electric control carburetors. Zhanjiang Deni's carburetor products are mainly sold to motorcycle manufacturers in the PRC.

The contributions from our industrial business, conducted by ECI Metro Investment and Zhanjiang Deni, represented, in aggregate, 16.9%, 55.7% and 57.8% of our profit attributable to shareholder for each of the three years ended 31 December 2012, 2013 and 2014, respectively.

The following table shows the breakdown of our profit attributable to shareholder for our biochemical business and the industrial business in which our Group is involved during the Track Record Period:

	For the year ended 31 December					
	2012		2013		2014	
	(USD'000)	(%)	(USD'000)	(%)	(USD'000)	(%)
Our biochemical business	14,712	83.1	12,320	44.3	8,197	42.2
The industrial business in which our Group is involved.	3,002	16.9	15,470	55.7	11,233	57.8
Profit attributable to shareholder	17,714	100.0	27,790	100.0	19,430	100.0

COMPETITIVE STRENGTHS

Our Directors attribute our Group's historical success to-date and future prospects to a number of competitive strengths including:

- **A diversified business portfolio encompassing biochemical and industrial businesses**

We are one of the leading CTC producers globally, and have interests in a sales distributor for Caterpillar Products with its service territory covering the western part of the PRC (excluding the Xinjiang Uyghur Autonomous Region) and in a major motorcycle carburetors manufacturer in the PRC. This allows us to develop a diversified business portfolio, engaging principally in the biochemical and industrial businesses. We believe this mix of businesses helps us to diversify the risks of a slowdown or disruption of demand in any particular business segment and maintain a steady stream of operating income.

BUSINESS

- **Long-standing relationships with major customers**

We have a long established presence in the PRC, having commenced our biochemical business and industrial business in the PRC in 1995 and 1992, respectively. With our continuous efforts over the years, we have established stable relationships with our major customers because we are able to continually satisfy our customers' needs. Our Group has forged a national and global customer base in the biochemical and industrial industries and has maintained long-standing business relationships with most of our major customers in the PRC and overseas. Our Group has at least nine years of business relationship with the five largest customers of our biochemical business, and more than 18 years of business relationship with our largest customer, during the Track Record Period. Please refer to the section headed "Business – Our Biochemical Business – Customers" in this listing document for some recent development regarding this largest customer. The joint venture and an associated company of our Company, namely ECI Metro Investment and Zhanjiang Deni, have more than six years of business relationship with the major customers of our industrial business. Our strong client relationships have placed us in a favourable position to obtain a high level of recurring business.

Biochemical Business

- ***Leading CTC producer globally with scaled CTC production***

We are one of the leading CTC producers globally. According to QYResearch, we are the largest CTC Premix producer globally in terms of production capacity. With our current fermentation volume of 6,478m³, our annual production capacities of CTC Premix and CTC HCL are 50,150 tons and 1,180 tons, respectively. In 2014, we produced 37,791 tons and 975 tons of CTC Premix and CTC HCL, respectively. Each of Pucheng Chia Tai and Zhumadian Huazhong has obtained ISO9001:2008 accreditation and Animal Drugs GMP certification in accordance with relevant regulatory requirements in the PRC. We believe that we have up-to-date production technologies and that our existing production facilities and production scale enable us to maximise our production efficiency and produce CTC products with consistently high quality standard.

- ***Global CTC sales network with broad national and international reach supported by strong sales and marketing capabilities***

Globally our CTC products are sold and distributed to the United States and countries in Europe, Southeast Asia, Africa and South America. For each of the three years ended 31 December 2012, 2013 and 2014, revenue derived from sales outside of the PRC totaled USD96.1 million, USD91.5 million and USD79.7 million, respectively, accounting for 72.7%, 74.9% and 68.0% of total revenue of our biochemical business, respectively. We have established a global sales network for our CTC products covering the PRC and overseas markets and have established stable and close business relationships with PRC and overseas customers. The sales and marketing teams of our two production plants sell our CTC products to customers in the PRC and overseas directly.

BUSINESS

We also maintain close relationships with our customers in the PRC and overseas. As at the Latest Practicable Date, the sales and marketing departments of our two production plants comprised 61 sales and marketing personnel, among whom 17 were assigned to handle overseas business and liaise with overseas customers. This network of sales and marketing personnel provides us with extensive market coverage and customer reach in the PRC and overseas.

- ***High quality CTC products***

We believe our CTC products are recognised by our customers for their stable high quality. We comply with the standards of the Animal Drugs GMP in our production of CTC products to ensure stability in product quality. Our production process allows us to produce CTC products with stable quality and all of our CTC products undergo stringent quality control processes. Pucheng Chia Tai and Zhumadian Huazhong have obtained numerous quality certifications, further details of which are set out in the section headed “Business – Quality Control” in this listing document. In addition, Pucheng Chia Tai received the “Quality Control Innovative Enterprise 2012” award from Fujian Provincial Quality and Technical Supervision in 2013. During the Track Record Period, we have not received any material customer complaints in relation to the quality of our CTC products both overseas and within the PRC. We attribute the high quality of our CTC products to our production technology, our strict quality control and our ability to adjust process parameters in accordance with the standards of the Animal Drugs GMP and applicable standards overseas, as well as production formulae to manufacture products which meet our customers’ needs. We believe the consistent and stable quality of our CTC products also enhances our branding and reputation among CTC end-users.

Industrial Business

- ***Sales distributor for Caterpillar Products with its service territory covering the western part of the PRC (excluding the Xinjiang Uyghur Autonomous Region)***

ECI Metro Investment, a joint venture in which we hold a 50% interest, first entered into a distribution agreement with Caterpillar China Limited in August 1995 for the sale of Caterpillar Products and providing customer service in Yunnan, Guizhou and Sichuan provinces of the PRC. The geographical scope of its service territory expanded over time and by 2009, it had been extended from three provinces to additionally cover Shaanxi, Gansu and Qinghai provinces, Ningxia Hui Autonomous Region, Tibet Autonomous Region and Chongqing municipality in the western part of the PRC, which is one of the only four regions in the PRC for which Caterpillar China Limited has separate sales distributorship arrangements. Our Directors believe that ECI Metro Group has the advantage of being a well-established distributor of Caterpillar Products in the western part of the PRC which has built up an extensive sales and service network operating out of its 55 branches in different locations in its service territory.

BUSINESS

- *A leading manufacturer of carburetors in the PRC*

Our 28% held associated company, Zhanjiang Deni, is one of the leading manufacturers of carburetors in the PRC and has over 20 years of experience in the manufacture and sale of motorcycle carburetors. According to the database from the Motorcycle Section of the China Association of Automobile Manufacturers, Zhanjiang Deni was the largest manufacturer of carburetors in the PRC in terms of sales. Zhanjiang Deni had approximately 26.8% market share in the PRC based on the sales figures of Zhanjiang Deni as of July 2014.

BUSINESS STRATEGIES

We aim to maintain our leading position in the biochemical industry by leveraging our competitive edge and seek to maintain the market position of the industrial business operated by the joint venture and the associated company in which we hold significant interests. Our Group plans to achieve such goals by implementing the following strategies:

Biochemical Business

- *Expand our product range in CTC and related veterinary medication*

We believe CTC has become more widely used in the PRC in recent years and that this increase in usage is mainly attributable to the realisation of the lower risk of adverse side effects generally associated with feeding livestock with CTC products compared to other biochemical alternatives. To capture the growing demand, we are focused on research and development aimed at expanding our range of CTC products, as well as developing the production of veterinary medication such as Tylosin and neomycin sulfate.

- *Improve technology and CTC productivity to further enhance our production efficiency*

As production cost is one of the major differentiating factors amongst competing CTC producers, we will continue to strive to reduce our production cost by applying advanced environmental and cost-saving technologies available in the market, such as residual heat recovery equipment and waste water recycling technologies. Meanwhile, we will continue to devote resources to our research and development for technology advancement which will be beneficial to our production and to maintain our leading position in the CTC industry.

Industrial Business

- *ECI Metro Group: Capture additional demand driven by the development and urbanization in the western part of the PRC*

With promotional efforts in building the Caterpillar brand image and brand awareness through the development of effective marketing strategies, the use of selected media and marketing channels, and the planning of marketing activities, ECI Metro Group aims to capture a higher market share in the western part of the PRC, which has seen an increased demand for heavy machinery products in mining and infrastructure projects due to: (i) the abundant natural resources reserves located in the region and (ii) the Western China Development, an initiative implemented by the PRC government in 1999 to develop and urbanise the western part of the PRC of which one of the key components is the development in the western region of infrastructure including airports, roads and hydropower plants to match the level of infrastructure development in the eastern part of the PRC. Although there has been a downturn in the growth of the industrial sector in the western part of the PRC due to the slowing economic growth in that region, ECI Metro Group believes it can benefit in the longer term from significant market opportunities presented by the prioritised infrastructure development in the western part of the PRC by capturing additional demand for Caterpillar Products.

- *Zhanjiang Deni: Leverage its in-depth knowledge of production technologies in the manufacture of carburetors to further expand its product portfolio*

With over 20 years of experience in the manufacture and sale of carburetors, Zhanjiang Deni has solid knowledge of production technologies and strong research and development capabilities in the manufacture of carburetors. Leveraging on its casting and pressure casting technologies in the manufacture of carburetors, Zhanjiang Deni is strengthening its research and development capabilities and establishing a dedicated team to manufacture automotive parts. Zhanjiang Deni expects to shift its marketing efforts to capture a wider spectrum of customers by further expanding its product portfolio, aimed at improving its profitability and promoting its sustainable development.

OUR BIOCHEMICAL BUSINESS

We produce and sell CTC, which is a type of broad-spectrum antibiotic that is effective against various types of bacteria in livestock. Appropriate dosages of CTC at frequent intervals can prevent certain diseases and improve overall feed efficiency.

BUSINESS

PRODUCTS

Our product portfolio primarily consists of CTC Premix and CTC HCL, which 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 our Group are produced by our Group and marketed mainly under our Group’s own brands “Shihao 施豪” and “Citifac 喜特肥”. We also produce and package approximately 60.0% of our CTC products in accordance with the specifications of our customers under their own brands. The following table shows the classification of our CTC products:

<u>Product</u>	<u>CTC Content</u>	<u>Average Selling Price during Track Record Period (USD/ton)</u>	<u>Shelf Life</u>	<u>Therapeutic effects/Features</u>
CTC Premix	10-40%	approximately 2,000 – 2,500	1.5 years	<ul style="list-style-type: none"> • Active in the control and treatment of animal diseases such as chicken pullorum, typhoid, swine enteritis and other bacterial diseases in livestock • Can be mixed directly with feed and usually used as feed additives to promote healthy growth of livestock and improve overall feed efficiency
CTC HCL	≥89.5%	approximately 22,000 – 28,000	4 years	<ul style="list-style-type: none"> • Typically used as an ingredient in veterinary medication • A low dosage of CTC HCL can also be used as feed additives to promote healthy growth of livestock and improve overall feed efficiency

BUSINESS

PRODUCTION

Production Facilities and Capacities

Our Group currently has two CTC production plants in the PRC, located in (i) Pucheng County, Fujian Province (the “**Pucheng Production Plant**”), which produces CTC Premix and CTC HCL, and (ii) Zhumadian City, Henan Province (the “**Zhumadian Production Plant**”) which produces CTC Premix. The annual production capacity and utilisation rate of each of the production plants during the Track Record Period are as follows:

	For the year ended 31 December								
	2012			2013			2014		
	Actual production volume	Annual production capacity	Utilisation rate	Actual production volume	Annual production capacity	Utilisation rate	Actual production volume	Annual production capacity	Utilisation rate
(tons)	(tons)	(%)	(tons)	(tons)	(%)	(tons)	(tons)	(%)	
Pucheng Production Plant:									
CTC Premix	19,702	21,850	90.2	19,327	21,850	88.5	15,328	21,850	70.2
CTC HCL	1,078	1,180	91.4	929	1,180	78.7	975	1,180	82.6
Zhumadian Production Plant:									
CTC Premix	28,501	28,300	100.7	28,492	28,300	100.7	22,463	28,300	79.4

Pucheng Production Plant

The Pucheng Production Plant has a total GFA of approximately 64,607 sq.m. and includes 19 production workshops. This production plant had 297 staff as at the Latest Practicable Date. It has been engaging in the production of CTC Premix and CTC HCL since 1995 and 1998, respectively. Its major production equipment includes 38 fermenters, six refrigerators and 11 air compressors with an annual production capacity of approximately 21,850 tons of CTC Premix and approximately 1,180 tons of CTC HCL. For each of the three years ended 31 December 2012, 2013 and 2014, the utilisation rate at the Pucheng Production Plant of the production of CTC Premix reached approximately 90.2%, 88.5% and 70.2%, respectively while that of the production of CTC HCL reached approximately 91.4%, 78.7% and 82.6%, respectively.

Zhumadian Production Plant

The Zhumadian Production Plant has a total GFA of approximately 36,529 sq.m. and includes five production workshops. As at the Latest Practicable Date, this production plant had 203 staff. It has been engaging in the production of CTC Premix since it commenced production in 1997. Its major production equipment includes 41 fermenters, 11 refrigerators and six air compressors with an annual production capacity of approximately 28,300 tons of CTC Premix. For each of the three years ended 31 December 2012, 2013 and 2014, the utilisation rate at the Zhumadian Production Plant of the production of CTC Premix reached approximately 100.7%, 100.7% and 79.4%, respectively. Utilisation rates over 100% represent over-time operation of the production plant, shortened duration for scheduled maintenance and enhanced fermentation technology.

Production Plants Maintenance and Inspection

In order to maintain our production plants in proper order, we regularly inspect and maintain our production equipment and facilities. Our two CTC production plants are subject to scheduled inspections and maintenance and our repair team also oversees day-to-day repair and maintenance of the facilities and machinery. These measures help to avoid unexpected suspension of production and maximise production efficiency. For the three years ended 31 December 2014, our Group incurred approximately USD4.2 million, USD5.1 million and USD4.6 million in repair and maintenance expenses for production plants, respectively. We did not experience material damage or prolonged suspension of production at our production plants due to any material accidents or equipment or facilities failure during the Track Record Period.

Production Process

The basic steps involved in the production processes relating to our CTC products are as follows:

(i) CTC Premix



Seed broth preparation and culture:

Selected mature CTC spore is put into glycerine and water solution. The prepared seed medium is sterilized and cultured for 22-28 hours to obtain the seed broth.





CTC fermentation: The seed broth is transferred into the fermentor. The entire fermentation period takes 80-130 hours.

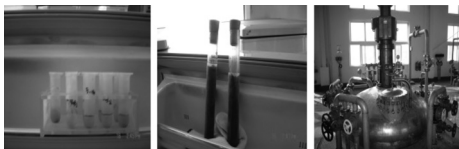


Complexation, filtration and drying: An appropriate amount of calcium carbonate is added into the fermentation broth which is then filtered by press filters. The crashed wet cake is then transferred to a fluid-bed dryer for drying.



Mixing, packaging and storage: The qualified, semi-finished CTC Premix is first transferred to a mixer for mixing. The CTC Premix will then be classified into powder or granular form and is ready for packaging. After the finished product is analysed by the quality assurance department and approved for release, it is sent to the finished product warehouse.

(ii) CTC HCL



Seed broth preparation and culture: Selected mature CTC spore is put into glycerine and water solution. The prepared seed medium is sterilized and cultured for 22-28 hours to obtain the seed broth.



CTC fermentation: The seed broth is transferred into the fermentor. The entire fermentation period takes 80-130 hours.



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Acidification: The fermented broth is transferred to an acidifying tank for acidification. The acidified liquid is obtained and then filtered by pressure filter to produce the second-filtrate.



Crystallization (complexing, crude crystallization, dissolving and re-crystallization): The second-filtrate is transferred to a complexing tank and, subsequently, into a crude-crystallization tank for 45-60 minutes to produce liquid CTC HCL crude crystals. The CTC HCL crude crystals are put into a dissolving tank and filtered through a pressure filter to obtain the dissolving liquid. The dissolving liquid is pumped into a re-crystallization tank for 40-60 minutes to produce liquid CTC HCL crystals.



Centrifuge and drying: Liquid CTC HCL crystals are placed in an automatic unloading centrifuge for separation and transferred to an air-flow dryer for drying.



Packaging: The CTC HCL crystals are transferred into the blender for blending and then packaged. After the finished product is analysed by the quality assurance department and approved for release, it is sent to the finished product warehouse.

RAW MATERIALS AND SUPPLIERS**Raw Materials**

The principal raw materials used by our two CTC production plants include corn starch, yeast, peanut meal and soybean meal. The cost of these principal raw materials accounted for approximately 53.0%, 51.6% and 50.5% of the total cost of sales of our biochemical business for each of the three years ended 31 December 2012, 2013 and 2014, respectively.

Our two CTC production plants source raw materials locally in order to reduce transportation costs. All raw materials delivered by the suppliers to our production plants are inspected by the quality assurance department of each plant before acceptance. Prices of these principal raw materials have been stable in recent years and we did not experience any material price fluctuation in raw materials which adversely affected our profitability during the Track Record Period. As at the Latest Practicable Date, each of our CTC production plants had seven staff in its procurement department.

Suppliers

The raw material suppliers of our two CTC production plants include both raw material manufacturers and raw material distributors. We adopt stringent policies on the selection of our raw materials suppliers. Prior to confirming the supplier of raw materials, our quality assurance department performs background checks on a list of potential suppliers, procures different raw materials samples from the potential suppliers for inspection and testing by our research and development team, conducts site visits and examines the production facilities of the principal raw materials suppliers to ensure that the supplier that we pick meets our quality standard and requirements. In addition, we require our suppliers to provide us with evidence that they have all licences and permits necessary to conduct their operations, which may include business licences, manufacturing permits, company profile, product information or other relevant licences and any other related documents. Apart from price, the other selection criteria of our raw material suppliers include (i) the supplier's reputation; (ii) the ability of the supplier to supply quality raw materials that meet our standards; and (iii) the ability of the supplier to timely meet our raw materials supply needs. We will review and evaluate our principal raw materials suppliers at least once every three years comprehensively and we have stable relationship with such suppliers during the Track Record Period.

For each of the three years ended 31 December 2012, 2013 and 2014, purchases from our largest raw material supplier accounted for approximately 12.1%, 14.5% and 9.6%, respectively, and purchases from our five largest raw material suppliers accounted for approximately 32.7%, 31.7% and 21.6%, respectively, of our total cost of sales. All of the top five raw material suppliers of our Group are Independent Third Parties. None of our Directors, senior management or their associates or any shareholders holding more than 5% of the total issued share capital of our Company had any interest in any of our five largest raw material suppliers during the Track Record Period.

BUSINESS

All our purchases are denominated in Renminbi. We normally purchase through credit sales and make payments to our raw material suppliers after the raw materials are inspected and accepted to our satisfaction. Credit terms granted by our raw material suppliers are normally for a period of up to 30 days.

While we have not entered into any long-term supply contracts with our raw material suppliers, we have long-standing relationships with most of our major raw material suppliers of more than seven years. Our business relationships with our five largest raw material suppliers range from 7 years to 15 years. We did not experience any material disruption or dispute in the supply of raw materials during the Track Record Period. We believe that we have established a close relationship with our major raw material suppliers, which has enabled us to obtain a stable and reliable supply of raw materials at commercially acceptable prices.

SALES AND MARKETING

Sales

During the Track Record Period, our revenue was derived from the sale of CTC Premix and CTC HCL. The following table shows the breakdown of our Group's revenue by products during the Track Record Period:

Product	For the year ended 31 December					
	2012		2013		2014	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	(USD'000)	(%)	(USD'000)	(%)	(USD'000)	(%)
CTC Premix	106,076	80.2	97,460	79.7	94,610	80.8
CTC HCL	26,198	19.8	24,759	20.3	22,521	19.2
Total	132,274	100.0	122,219	100.0	117,131	100.0

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During the Track Record Period, we sold CTC Premix in the PRC and the United States and countries in Southeast Asia and Africa. We sold CTC HCL in the PRC and the United States and countries in Europe and South America. The following table shows the breakdown of our Group's revenue by geographical area during the Track Record Period:

	For the year ended 31 December					
	2012		2013		2014	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	(USD'000)	(%)	(USD'000)	(%)	(USD'000)	(%)
United States	42,587	32.2	38,036	31.1	26,720	22.8
PRC	36,130	27.3	30,730	25.1	37,473	32.0
Asia Pacific (excluding PRC)	21,363	16.2	22,824	18.7	24,046	20.5
Europe	7,576	5.7	4,450	3.7	5,050	4.3
Others	24,618	18.6	26,179	21.4	23,842	20.4
Total	132,274	100.0	122,219	100.0	117,131	100.0

We maintain a close relationship with our customers and sell substantially all of our CTC products directly to our customers. For each of the three years ended 31 December 2012, 2013 and 2014, the sales of selling our CTC products to customers directly constituted approximately 97.5%, 97.9% and 99.8%, respectively, of our revenue. Our customers in the PRC are mainly feed mills located in different provinces whereas overseas customers include feed mills, pharmaceutical companies and trading companies.

We enter into sales agreements with our customers by which the total quantity, the selling price and the payment terms will be agreed. The arrangements for delivery of our products and the delivery costs are also set out in the sales agreements.

Sales are conducted through the sales and marketing department of each of our CTC production plants. As at the Latest Practicable Date, the sales and marketing departments of our two production plants comprised 61 sales and marketing personnel, among whom 17 were assigned to handle overseas business and liaise with overseas customers. The sales and marketing departments are responsible for procuring sales orders and maintaining customers' relationships. In order to procure sales orders and maintain customer relationships, our sales personnel regularly visit the customers to obtain information on the quality and delivery status of our products and on how to improve our services.

Pricing, Settlement Terms and Credit Control

We determine the selling price of our CTC products after taking into consideration, among other things, market trends, market demand and supply, our costs of production and competitors' prices.

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We normally offer our major customers a credit period up to around 60 days. Our domestic sales and overseas sales are conducted in Renminbi and USD, respectively, and are principally settled by telegraphic transfer. Trade receivables are closely monitored by designated staff in our sales and finance departments. The sales and marketing department of each of our CTC production plants will collect feedback on default or late payments from customers and assess customers' payment history and the overall size of historical transactions with each customer. The sales personnel will meet with customers regularly to get a better understanding of the operation and financial status of the customers. Our average trade receivables turnover days for each of the three years ended 31 December 2012, 2013 and 2014 were 34 days, 47 days and 58 days, respectively. As at the Latest Practicable Date, we had not experienced any material issues in respect of doubtful debts arising from our sales.

Marketing

As at the Latest Practicable Date, the sales and marketing departments of the Pucheng Production Plant and the Zhumadian Production Plant comprised 21 and 40 personnel, respectively, including a total of 17 personnel overseeing our overseas business. The sales and marketing departments are responsible for conducting market researches, organising marketing events and formulating marketing strategies. We also invite customers to visit our production plants to enable them to have a better understanding of our operations and products and to strengthen their confidence in us and in our products. We also regularly participate in and organise trade fairs and exhibitions to promote our products and to conduct market researches. The marketing personnel of each of our CTC production plants also report customers' comments on our products to the research and development team of that production plant so that the respective research and development team can develop and improve our products to meet customers' expectations.

Product Return Policy

Our customers may generally return products that do not conform with the required quality standards or their order, have incomplete packages, unclear labels or are inconsistent with our product specifications. Our quality assurance department receives feedback and handles complaints from our customers with regard to the quality of our products. We conduct investigations upon receipt of a complaint. Customers' returns may be approved after their requests have been recorded and assessed by our quality assurance department. The details of the returned products, such as the product's name, batch number, quantity, the reason for return and the reason for approving the return will be kept in our records. For each of the three years ended 31 December 2012, 2013 and 2014, except for exchange of products that do not conform with the customers' specified quality standards or have been damaged in transit, the amounts of which were minimal and had no material adverse impact on our business operation, there were no material product returns from our customers.

CUSTOMERS

We sell our CTC products to customers in the PRC and overseas. For each of the three years ended 31 December 2012, 2013 and 2014, the five largest customers accounted for approximately 44.3%, 42.8% and 39.0% of our total revenue, respectively. Our Group has at

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least nine years of business relationship with the five largest customers in each of the three years ended 31 December 2012, 2013 and 2014, which include pharmaceutical companies and trading companies, and more than 18 years of business relationship with our largest customer, during the Track Record Period. The largest customer accounted for approximately 27.3%, 26.7% and 22.3% of the total revenue of our biochemical business for each of the three years ended 31 December 2012, 2013 and 2014, respectively. None of our Directors, senior management, their associates or any shareholders holding more than 5% of the total issued share capital of our Company had any interest in any of our five largest customers during the Track Record Period. Furthermore, all of the five largest customers are Independent Third Parties.

On 15 October 2014, Jinhe Biotechnology, which according to QYResearch is one of the other major global CTC manufacturers besides our Group, announced that through its U.S. subsidiary it entered into an agreement to acquire all of the operating assets of our largest customer and that it would take over all of its customers and staff. On 31 October 2014, Jinhe Biotechnology announced the completion of this acquisition. In the past, this key U.S. customer placed purchase orders with us on an annual basis at the end of each preceding calendar year. Following the acquisition by Jinhe Biotechnology through its U.S. subsidiary, such purchase orders, now being issued by that U.S. subsidiary, have so far been placed with us on a quarterly basis. As disclosed in the section headed “Financial Information – Recent Developments” in this listing document, based on our unaudited financial information for the three months ended 31 March 2015, our biochemical business recorded a decrease in our CTC products sales volume to this key U.S. customer in this three month period. We have received purchase orders from this key U.S. customer for each of the second and third quarters of 2015, pursuant to which the corresponding sales volume to this key U.S. customer is expected to increase as compared to the first quarter of 2015. On the basis of the purchase orders of this key U.S. customer for the first three quarters of 2015 and taking into account that up to the Latest Practicable Date, we have not received any indication from this key U.S. customer that it intends to significantly reduce the amount of purchase orders placed with us or cease to place purchase orders with us, our Directors are of the view that there has not been any material change in our business relationship with this key U.S. customer. For each of the three years ended 31 December 2012, 2013 and 2014, our sales to this key U.S. customer amounted to approximately 12,469 tons, 10,694 tons and 9,243 tons, respectively. Following the acquisition by Jinhe Biotechnology through its U.S. subsidiary, the purchase orders placed by this key U.S. customer for the first three quarters of 2015 amounted to approximately 6,446 tons and together with our Directors’ expectation of the purchase orders to be received for the fourth quarter, the forecasted sales to such key U.S. customer for the whole year ending 31 December 2015 would be approximately 8,510 tons, representing approximately 7.9% decrease in comparison to the year ended 31 December 2014.

Our Group has also obtained a reassurance in writing in January 2015 that this key U.S. customer will continue to order CTC products from our Group for the period up to and including 2017, forecasting a range of annual purchase orders which indicate that the tonnage of annual sales of our Group to this key U.S. customer will not be significantly different from our forecasted sales to this key U.S. customer for 2015. Taking into account the continuing

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business relationship in the period since Jinhe Biotechnology acquired this key U.S. customer, our Directors currently expect that the revenue generated from this key U.S. customer for the year 2015 will not be substantially reduced from the year 2014 and that the business relationship with this key U.S. customer will continue at least in the near future, and our Directors do not currently foresee a significant reduction of purchase orders from this key U.S. customer in the near future.

As the dominant players in the global CTC market, CTC production from Jinhe Biotechnology and our Group together account for most of the global demand for CTC products (approximately 92.5% of the global demand in 2014) and since, according to QYResearch, the global demand has been and is expected to continue to be approximately the same as the global supply for CTC products, we expect that any existing purchaser of CTC products from any supplier will have very limited choice as to alternative suppliers if its current supplier decides to utilise a significant part of its production capacity to supply to another purchaser, so that if an existing key customer of our Group should source a significant part of its needs for CTC products from another supplier, existing customers of that supplier are likely to have to turn to alternative suppliers such as our Group, which accounts for a major portion of the global demand. To minimise impacts on our Group from the possible loss of this key U.S. customer in the future, we have begun efforts to explore new markets and approach new customers. In the three months ended 31 March 2015, we have received purchase orders from 40 new customers who had not previously purchased from our Group during the Track Record Period, generating a revenue of USD0.7 million and representing approximately 2.8% of our Group's revenue in the same period. Our sales and marketing departments will focus on formulating marketing strategies to attract new customers, organise marketing events to raise our brand awareness and also participate in trade fairs and exhibitions regularly to promote our CTC products.

QUALITY CONTROL

Our Directors believe that the ability to supply products of consistent quality is essential for us to maintain our market leading position in the CTC industry. To ensure the quality of our production processes and our products, we had 70 quality control staff working with different departments as at the Latest Practicable Date. Over one-third of our quality control staff have obtained a tertiary degree in biochemistry, biochemical engineering, or related subjects, including 24 bachelor degree holders and three master degree holders. The manager of the quality assurance team of the Pucheng Production Plant has more than 22 years of experience in quality control relating to the production of CTC. The manager of the quality assurance team of the Zhumadian Production Plant, who has been the production manager for ten years, has more than three years of experience in quality control relating to the production of CTC.

Our quality control system begins with the procurement department, which purchases raw materials from qualified suppliers only. To become qualified, a supplier first provides a sample supply of the relevant raw material to our research and development team and our quality assurance team for testing in accordance with our standard guidelines on quality. After raw material quality is confirmed, small scale trial production will be performed to test production

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performance. The supplier will be qualified for the supply of that type of raw material after satisfying the trial production. The procurement department will place orders in accordance with factors including raw materials quality, cost and services from suppliers. Upon each delivery by a qualified supplier of raw materials, the quality assurance department conducts tests on a sampling basis to ensure the delivery meets the standards.

During production, we conduct sampling at each critical stage of the process to ensure that the finished products comply with the required standards. The tests include physical and chemical testing, instrumental analysis, bioassay and stability testing. Our finished products are tested with reference to various standards set by Animal Drugs GMP, FDA and ISO, and customers' requirements. We did not experience any material product liability claims or legal claims arising from allegations relating to the quality of our products during the Track Record Period.

RESEARCH AND DEVELOPMENT

As at the Latest Practicable Date, our research and development team had 87 staff, over one-third of whom have obtained a tertiary degree in biochemistry, biochemical engineering, or related subjects, including 11 bachelor degree holders, 12 master degree holders and two doctoral degree holders. The managers of the research and development team of the Pucheng Production Plant and the Zhumadian Production Plant had more than five years and one year of experience in research and development of biochemical products relating to the animal feed industry, respectively. Our research and development team continually improves our existing production processes through the incorporation of new equipment and techniques to optimise efficiency and effectiveness as well as to reduce production costs. In addition, our research and development activities focus on upgrading our production of CTC products, the exploration of alternative raw materials and the development of new antibiotic products and veterinary medicine. The research and development team also works closely with the sales and marketing team to assist in providing CTC product application for our customers.

With continuous efforts of our research and development team, we have successfully applied advanced technologies on fermentation control, strain cultivation and quality control in our existing production processes to optimise productivity and effectiveness. Through our research and development efforts, we have recently launched two new kinds of veterinary medicine, namely, Tylosin and neomycin sulphate and have obtained the Animal Drugs GMP certification for both veterinary medicine.

We have received the following awards and certificates in recognition of our technological achievements:

Pucheng Chia Tai

- May 2012 – Innovative Products Award, awarded by The Tenth (2012) China Animal Husbandry Expo
- September 2013 – High-Tech Enterprise Certification, awarded by Fujian Provincial Department of Science and Technology

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- December 2013 – Qualification of Provincial Enterprise Technology Center in Fujian Province, announced by seven governmental authorities including Fujian Provincial Department of Finance and Fujian Provincial Department of Science and Technology
- July 2014 – Competitive Intellectual Property Enterprise of Fujian Province, awarded by Fujian Intellectual Property Office

Zhumadian Huazhong

- September 2012 – Zhumadian Science and Technology Award (1st Class), awarded by The People’s Government of Zhumadian
- November 2012 – High-Tech Enterprise Certification, awarded by Henan Provincial Department of Science and Technology
- July 2013 – Qualification of CTC fermentation engineering laboratory in Henan Province, announced by Henan Province Development and Reform Commission
- September 2014 – Zhumadian Science and Technology Award (2nd Class), awarded by The People’s Government of Zhumadian
- December 2014 – Qualification of engineering technology research center in Henan Province, announced by Henan Provincial Department of Science and Technology
- January 2015 – High-Tech Small and Medium-sized Enterprise Certification, awarded by Henan Provincial Department of Science and Technology

For each of the three years ended 31 December 2012, 2013 and 2014, our Group incurred approximately USD600,000, USD780,000 and USD910,000, respectively, for staff costs in research and development which accounted for approximately 0.5%, 0.6% and 0.8%, respectively, of the total revenue of our biochemical business.

INVENTORY CONTROL

Our inventories consist of raw materials and finished products. We target to keep raw material inventory at levels that are sufficient for 30 to 45 days of production requirements. We store our finished products for a relatively short period of time before delivering them to our customers. For each of the three years ended 31 December 2012, 2013 and 2014, our inventory turnover days were 43 days, 68 days and 81 days, respectively. Over the same periods, our inventories had a carrying value of US\$11.8 million, US\$20.2 million and US\$14.9 million, respectively. Please refer to the section headed “Financial Information – Certain Balance Sheet Items – Inventories” in this listing document for the reasons for the increase in our inventory turnover days and our inventories during the Track Record Period. All raw materials comprising our inventory are for our production purposes and not for the purpose of reselling. We monitor our inventory movements regularly and manage our inventory levels based principally on market demand and ordered sales volume. We perform regular reviews at each monthly reporting date on the carrying amounts of inventories with reference to ageing analysis of inventories, projections of expected future sales ability of goods and management experience and judgements.

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PERMITS AND LICENSES

We have obtained and maintained all the necessary permits and licenses required in connection with our CTC operation. Set out below are the principal permits or licenses:

<u>Owner</u>	<u>Permits or licenses</u>	<u>Issuing Authority</u>	<u>Date of issue</u>	<u>Expiry date</u>
Pucheng Chia Tai	Animal Drugs Production Permit 獸藥生產許可證	Ministry of Agriculture of PRC	24 June 2014	8 May 2017
Zhumadian Huazhong	Animal Drugs Production Permit 獸藥生產許可證	Ministry of Agriculture of PRC	24 April 2015	31 July 2019

In addition, we have obtained a number of certifications covering our production process, product quality and quality control system, including the Certificate of Animal Drugs GMP issued by the MOA, the CTC HCL Applicable for Veterinary Certification issued by the European Directorate for the Quality of Medicines & Healthcare, the Certificate of GMP Compliance of a Manufacturer issued by the Department for Education, Science and Health of Germany, the Quality Management System Certification issued by Huaxia Certification Center Inc., the Environmental Management System Certification issued by Huaxia Certification Center Inc. and SGS Certification Centre and the Occupational Health and Safety Management System Certification issued by Huaxia Certification Center Inc.. To export and sell our CTC products in the United States, we are required to pass the quality standards set by the FDA which indicates that our CTC products conform to all the requirements for sales in the United States.

We intend to apply for the renewal of the relevant permits, licenses and certificates as and when they are about to expire. We have not encountered significant difficulties in renewing any necessary permits, licenses and certificates. We currently do not expect any material impediment in the timely renewal of our material permits, licenses and certificates as they expire, if at all.

COMPETITION

Our CTC business competes with other veterinary antibiotics producers in the PRC, such as Jinhe Biotechnology and Fujian Fukang Pharmaceutical Co. Ltd., and faces competition in many aspects such as product quality, production cost and pricing. Apart from pricing, product quality is an important factor for feed mills and farms in the selection of CTC suppliers. Our Directors believe that the competition in the PRC, especially for the export market, is quality-oriented. Our Directors believe that we generally meet our customers' requirements in terms of CTC content, other product specifications, pricing and delivery time.

Our Directors believe that there are certain entry barriers for new entrants in the veterinary antibiotics industry. These barriers include the need to have comprehensive market knowledge, technical know-how for the fermentation process during CTC production, strong

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research and development capability, efficient production facilities and resources and time investment in the registration and certification process for the CTC products to be exported to the United States and European countries.

EMPLOYEES AND STAFF TRAINING

As at the Latest Practicable Date, our CTC business had a total of 838 full-time employees, all of whom were located in the PRC. The number of full-time employees in each department is as follows:

<u>Departments</u>	<u>Number of Employees</u>
Production	500
Business Planning	14
Procurement	14
Sales and Marketing	61
Human Resources and Administration	76
Research and Development	87
Finance	16
Quality Control	70
Total	<u>838</u>

As at the Latest Practicable Date, 332 contracted staff entered into separate employment agreements with the relevant employment agencies and we, in turn, entered into separate back-to-back agreements with such agencies. As at the Latest Practicable Date, we engaged two employment agencies, each of which was an Independent Third Party, to avoid reliance on any single employment agency. According to the back-to-back agreements entered into between our Group and the employment agencies engaged by us, we agree to pay salaries to the employees despatched by the employment agencies through the respective employment agency. The employment agencies agree to enter into labour contracts with these personnel directly and we provide benefits and make contributions to the relevant funds for such personnel through the respective employment agency. The use of employment agencies can ease our administrative burden as these employment agencies are primarily responsible for the payment of social insurance and housing fund contributions to personnel despatched by them.

We offer competitive remuneration packages to our employees, including salaries and bonuses to qualified employees. We regularly review compensation and benefit policies to ensure that our practices are in line with market norms and relevant labour regulations. Incentives and bonuses of our employees are calculated based on their positions, duration of service as well as our assessment of their individual performance.

For the three years ended 31 December 2014, we have complied with relevant PRC labour laws and regulations in all material respects, including contributions to employee retirement benefit schemes, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, social security insurance and housing provident funds.

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During the Track Record Period, we did not experience any significant turnover of staff nor significant labour disputes which led to any material disruption of our operations. Our Directors consider that our Group has maintained a good relationship with our employees. Each of Pucheng Chia Tai and Zhumadian Huazhong has established a labour union to protect employees' rights, encourage employee participation in management decisions and assist in mediating disputes between us and union members.

We invest resources in the continuing development and training of our employees. An overview of some of the development and training programs are outlined below:

- Orientation is provided to each new employee to ensure that he or she is familiar with our policies, safety measures and possesses basic technical skills and knowledge.
- The production department periodically provides technical training to our employees to enhance their knowledge in relation to new technologies and mechanical manipulations.
- The sales and marketing department periodically provides training to our sales and marketing team to enhance their leadership and sales techniques and knowledge in relation to our products.
- We provide occupational safety lessons to our manufacturing staff annually.
- We encourage our senior managerial staff to attend management courses organised by universities and/or other institutions in the PRC.

THE INDUSTRIAL BUSINESS IN WHICH OUR GROUP IS INVOLVED

The industrial business in which our Group is involved is conducted through two companies:

- ECI Metro Group – principally engaged in sale, leasing and customer service of Caterpillar machinery equipment, the sales distributor for Caterpillar Products with its service territory covering the western part of the PRC (excluding the Xinjiang Uyghur Autonomous Region); and
- Zhanjiang Deni – principally engaged in the manufacture and sale of carburetors and automotive parts.

ECI Metro Group

Our Company holds a 50% equity interest in ECI Metro Investment. ECI Metro Group is one of four Caterpillar dealers whose service territories are located in the PRC and the sales distributor for Caterpillar Products with its service territory covering the western part of the PRC (excluding the Xinjiang Uyghur Autonomous Region) which encompasses six provinces, two autonomous regions and one municipality. The ECI Metro Group first started distributing Caterpillar Products in 1995 when ECI Metro Investment entered into a distribution agreement with Caterpillar China Limited in August 1995 for the sale of Caterpillar Products and providing customer service in Yunnan, Guizhou and Sichuan provinces of the PRC. The geographical scope of its service territory expanded over time and, by 2009, it had been extended from the provinces to additionally cover the Shaanxi, Gansu and Qinghai provinces, Ningxia Hui Autonomous Region, Tibet Autonomous Region and Chongqing municipality in the western part of the PRC. The distributorship appointment is for an indefinite term and either ECI Metro Group or Caterpillar may terminate the distribution agreement by giving not less than 90 days' prior written notice to the other party.

Products and principal activities

ECI Metro Group is responsible for the sale, leasing and customer service of Caterpillar Products within its service territory of Yunnan, Guizhou, Sichuan, Shaanxi, Gansu and Qinghai provinces, Ningxia Hui Autonomous Region, Tibet Autonomous Region and Chongqing municipality.

In addition to its headquarters in Chengdu, Sichuan Province, ECI Metro Group has an operating entity in each of the provinces, autonomous regions and municipality. Each of the operating entities of ECI Metro Group distributes a full range of Caterpillar Products, including excavators, power generators, bulldozers and compactors, as well as spare parts. With its distribution centre of Caterpillar parts located in Shanghai and supplemented by 45 branches, five branches and five branches in the provinces, autonomous regions and municipality within its service territory, ECI Metro Group is able to effectively provide accessible repair services to customers. A total of 387 repair technicians are stationed at the 55 branches of ECI Metro Group in its extensive service network and can provide customer support and services to customers in the locality. ECI Metro Group's repair technicians also provide onsite repair services for Caterpillar Products to customers upon request.

Supplier

Caterpillar is the only machinery supplier of ECI Metro Group. ECI Metro Group's business relationship with Caterpillar started in 1995. Caterpillar is the world's leading manufacturer of earthmoving and construction equipment, which is widely used in highway and railway building, port handling, airport construction, waste management, mining, hydropower projects along with other industrial projects. For each of the three years ended 2012, 2013 and 2014, purchases from Caterpillar accounted for approximately 98.6%, 98.5% and 98.1%, respectively, of ECI Metro Group's total purchases. Caterpillar is an Independent Third Party. None of our Directors, senior management, their respective associates or any shareholders holding more than 5% of the total issued Shares of our Company had any interest in Caterpillar during the Track Record Period.

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Caterpillar sells Caterpillar Products to ECI Metro Group at the prices and discounts specified by Caterpillar from time to time and ECI Metro Group is responsible for the sale, leasing and customer service of Caterpillar Products within its service territory of Yunnan, Guizhou, Sichuan, Shaanxi, Gansu and Qinghai provinces, Ningxia Hui Autonomous Region, Tibet Autonomous Region and Chongqing municipality in the western part of the PRC. ECI Metro Group's appointment to distribute Caterpillar Products in the western part of the PRC is not made on an exclusive basis. Within the prescribed time limit or at any time upon Caterpillar's request, ECI Metro Group is required to provide Caterpillar with relevant financial and operation information. ECI Metro Group is not allowed to use any of Caterpillar's trademarks unless authorized by Caterpillar under a separate agreement. The distribution agreements entered into between ECI Metro Group and Caterpillar are for an indefinite term and either ECI Metro Group or Caterpillar may terminate the distribution agreement by giving not less than 90 days' prior written notice to the other party.

ECI Metro Group normally purchases from Caterpillar through credit sales. Invoices issued by Caterpillar in any month are payable by ECI Metro Group in the following month. ECI Metro Group did not experience any material disruption or dispute in the supply of Caterpillar Products during the Track Record Period.

Sales

During the Track Record Period, the revenue of ECI Metro Group was derived from the sales, leasing and customer service of Caterpillar's machinery equipment. The following table shows the breakdown of the revenue of ECI Metro Group by products and services during the Track Record Period:

<u>Product</u>	For the year ended 31 December					
	2012		2013		2014	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	(USD'000)	(%)	(USD'000)	(%)	(USD'000)	(%)
Machines	349,502	76.3	500,981	75.7	448,764	78.9
Spare parts and others*	108,426	23.7	161,066	24.3	120,128	21.1
Total	457,928	100.0	662,047	100.0	568,892	100.0

* Others include leasing and customer services.

The sales team of ECI Metro Group comprised 419 sales personnel as at the Latest Practicable Date who are responsible for procuring sales orders. ECI Metro Group sells Caterpillar Products primarily to engineering contractors engaged in mining, railroad, road and other infrastructure construction industries.

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Pricing, settlement terms and credit control

ECI Metro Group determines the pricing of the Caterpillar Products it sells by taking into consideration its cost of purchase from Caterpillar. ECI Metro Group normally offers its customers a credit period of up to one year. Most of ECI Metro Group's sales to its customers are conducted in RMB and normally settled by bank transfer or cash.

Customers can settle purchases either in full or by instalments. Trade receivables are closely monitored by the credit, sales and finance departments of ECI Metro Group. Its average trade receivables turnover days for each of the three years ended 31 December 2012, 2013 and 2014 were 21 days, 18 days and 19 days, respectively. As at the Latest Practicable Date, ECI Metro Group had not experienced any material issues in respect of the doubtful debts from its sales.

Marketing

As at the Latest Practicable Date, the marketing team of ECI Metro Group comprised 39 marketing personnel who are responsible for (i) enhancing the brand awareness of the Caterpillar Products distributed by ECI Metro Group and preparing advertising materials in order to promote the image of ECI Metro Group and the "Caterpillar" brand; (ii) developing effective marketing strategies through selected media or marketing channels and planning marketing activities; (iii) developing guidelines and policies on the theme, efficiency and effectiveness of various customer events; and (iv) designing sales promotional materials, product configurations and promotional souvenirs. ECI Metro Group uses marketing platforms such as websites, advertisements, billboards and trade fairs to promote product awareness and strengthen its corporate image.

Customers

ECI Metro Group maintains a close relationship with its customers and sells Caterpillar Products to them through its sales team. For each of the three years ended 31 December 2012, 2013 and 2014, the five largest customers accounted for approximately 67.4%, 74.6% and 72.4% of the total revenue of ECI Metro Group, respectively. The largest customer of ECI Metro Group, being CCFL, which provides financial leasing service to other customers of ECI Metro Group, accounted for approximately 63.3%, 65.1% and 67.8%, respectively, of the total revenue of ECI Metro Group for each of the three years ended 31 December 2012, 2013 and 2014. None of our Directors, senior management, their associates or any shareholders holding more than 5% of the total issued Shares of our Company had any interest in any of the five largest customers during the Track Record Period. Furthermore, all of these five largest customers of ECI Metro Group, including CCFL, are Independent Third Parties.

- ***CCFL***

CCFL has ten years of business relationship with ECI Metro Group. Customers who require financing can purchase Caterpillar Products from ECI Metro Group through the financial leasing service provided by CCFL, which is a wholly foreign-owned enterprise,

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owned by two subsidiaries of Caterpillar. For each of the three years ended 31 December 2012, 2013 and 2014, CCFL, which provides financial leasing service to other customers of ECI Metro Group, accounted for approximately 63.3%, 65.1% and 67.8%, respectively, of the total revenue of ECI Metro Group. Under the financial leasing arrangements, the Caterpillar Product is sold by ECI Metro Group to CCFL and CCFL provides financing to the ultimate customer for such Caterpillar Product. The ultimate customer has to pay 10-20% of the purchase price as down payment and CCFL offers a financing credit period of 12-60 months for the outstanding balance. The ultimate customer has to repay the financed amount to CCFL monthly and the title of the Caterpillar Product remains with CCFL until the ultimate customer has completely discharged his repayment obligations and exercised his option to purchase at a nominal amount, upon which CCFL will transfer the ownership of the Caterpillar Product to the ultimate customer. If the ultimate customer defaults in repayment to CCFL, ECI Metro Group has to share with CCFL its loss. The share which ECI Metro Group had to bear in aggregate for each of the three years ended 31 December 2012, 2013 and 2014 accounted for less than 1.0% of the total revenue of ECI Metro Group of each of the respective period. Please refer to the section headed "Risk Factors" in this listing document for further details of the risks involved in such financing arrangements with CCFL.

- ***Other customers***

Most of ECI Metro Group's customers, save for CCFL in its financing capacity, are engineering contractors in the PRC and the key customers include those engaged in the mining, railroad, road and other infrastructure construction industries.

Inventory control

ECI Metro Group places orders for the amount and the product mix of Caterpillar Products from Caterpillar designed to meet its own forecast of customers' needs, its existing inventory level and the availability of stocks from Caterpillar. ECI Metro Group targets to maintain 60 days supply of Caterpillar Products stock and as of 31 December 2014, the stock holdings were valued at approximately USD94 million. For each of the three years ended 31 December 2012, 2013 and 2014, the inventory turnover days of ECI Metro Group were 148 days, 71 days and 79 days, respectively.

Competition

ECI Metro Group considers that it competes with other sellers of heavy machinery manufactured by Sany, Komatsu, Kobelco, Hitachi and Doosan, which are considered by our Directors to be in competition with the Caterpillar Products. According to statistics from the Huidian Research, Sany, Caterpillar, Komatsu, Kobelco, Hitachi and Doosan had approximately 14.7%, 10.6%, 8.4%, 7.9%, 7.6% and 7.5%, respectively, market share in the PRC in 2014. ECI Metro Group faces competition primarily on product quality, pricing and customers. ECI Metro Group believes it is able to compete on the basis that it is a sales distributor of Caterpillar Products with extensive and effective sales and service network in the

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western part of the PRC providing customer support and services, experienced sales and management teams and the brand, quality and diversified range of Caterpillar Products. Please refer to the section headed “Industry Overview – Construction Equipment Industry in the PRC – Competitive Landscape” in this listing document for further details.

Guarantee in favour of CCFL

CCFL has extended a credit facility to the ECI Metro Group and our Company has provided a guarantee since 2007 (as subsequently amended and extended most recently in 2013) in favour of CCFL, guaranteeing all indebtedness of the ECI Metro Group under a credit facility granted by CCFL for each of the two years ended 31 December 2012 and 2013 and the ten months ended 31 October 2014, up to the maximum amount of US\$50.6 million (to the extent there is any such outstanding indebtedness).

Employees and staff training

As at the Latest Practicable Date, ECI Metro Group had a total of 1,802 full-time employees, substantially all of whom were located in the PRC. During the Track Record Period, ECI Metro Group did not experience any significant labour dispute which had led to any disruption of its operations. The ECI Metro Group has established a labour union which organises functions to protect employees’ rights, increase employees’ sense of belonging and assist in mediating disputes between the ECI Metro Group and union members.

ECI Metro Group invests resources in its continuing development and training scheme for its employees in order to improve their skills and knowledge. This includes trainings provided by the sales and marketing department to improve the team’s leadership skills, sales techniques, and the team’s knowledge of Caterpillar Products. Caterpillar also furnishes its repair technicians with engine application and installation control guidelines and procedures from time to time. In addition, occupational safety training is provided to the repair technicians on a regular basis.

Staff training expenses for ECI Metro Group amounted to approximately USD287,000, USD221,000 and USD201,000, respectively, for each of the three years ended 31 December 2012, 2013 and 2014.

Zhanjiang Deni

Our Company holds 28% equity interest in Zhanjiang Deni. Zhanjiang Deni is one of the leading manufacturers of carburetors in the PRC and has over 20 years of experience in the manufacture and sale of motorcycle carburetors. It is also engaged in the manufacture and sale of automotive parts. According to the database from the Motorcycle Section of the China Association of Automobile Manufacturers, Zhanjiang Deni was the largest manufacturer of carburetors in the PRC in terms of sales. Zhanjiang Deni had approximately 26.8% market share in the PRC based on the sales figures of Zhanjiang Deni as of July 2014. Zhanjiang Deni has seven assembly lines and seven processing lines for carburetor products. The main

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carburetor products of Zhanjiang Deni include general engine carburetors, motorcycle carburetors and electric control carburetors. Zhanjiang Deni's carburetor products are mainly sold to motorcycle manufacturers in the PRC. Zhanjiang Deni also produces various automotive parts and has over 400 sets of production and processing equipment for automotive parts, including four continuous furnaces, 51 pressure casting machines and 440 machining centres. Zhanjiang Deni's automotive parts are mainly sold to automobile manufacturers such as Dongfeng Honda, Dongfeng Nissan, Shanghai GM and Delphi in the PRC.

The old main production facility of Zhanjiang Deni was located in Zhanjiang City, Guangdong Province, the PRC. To comply with urban planning requirements of the local government, Zhanjiang Deni acquired a new site in Mazhang District, Zhanjiang City, in 2010 and commenced the construction of a new production facility in 2013 which has a total GFA of approximately 77,032 sq.m. The relocation of the production plant was completed in September 2014 and the old main production facility of Zhanjiang Deni has ceased operations.

The new production facility commenced operation in October 2014. There were 846 employees at this production plant as at the Latest Practicable Date. The annual production capacity of the new production facility amounts to approximately 7.0 million units of carburetors. For each of the three years ended 31 December 2012, 2013 and 2014, the annual production volume of carburetors reached 6.0 million units, 5.9 million units and 5.7 million units, respectively.

On 25 December 2014, Zhanjiang Deni entered into an equity interest transfer agreement in relation to its acquisition of 100% of the equity interest in Dongfeng Shiyan from Dongfeng Electronic and 上海東儀汽車貿易有限公司 (Shanghai Dongyi Automobile Trade Co. Ltd.*), which at that time held 99% and 1%, respectively, of the equity interest in Dongfeng Shiyan. The acquisition was completed on 5 January 2015. Following the acquisition, Dongfeng Shiyan has become a wholly-owned subsidiary of Zhanjiang Deni.

Located in Shiyan, Hubei Province, Dongfeng Shiyan was established in 2003 and is engaged in the design, production, machining, sales and servicing of non-ferrous metal castings used for engines, transmissions, steering and chassis for passenger and commercial automobiles. The company has over 30 pressure casting machines and over 60 machining centres, with annual aluminium melting capacity amounting to approximately 10,000 tons per year.

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AWARDS AND ACCREDITATIONS

As at the Latest Practicable Date, our Group had obtained the following significant awards and accreditations granted in relation to our Group's brand names or products:

Award/Accreditation	Awarded by	Awarded to	Year awarded
High-Tech Small and Medium-sized Enterprise Certification	Henan Provincial Department of Science and Technology	Zhumadian Huazhong	2015
Competitive Intellectual Property Enterprise of Fujian Province	Fujian Intellectual Property Office	Pucheng Chia Tai	2014
Leading Enterprise in Agricultural Industrialisation in Zhumadian 2014-2016 (農業產業化市重點龍頭企業(2014-2016))	The People's Government of Zhumadian (駐馬店市人民政府)	Zhumadian Huazhong	2014
High-Tech Enterprise Certification	Fujian Provincial Department of Science and Technology	Pucheng Chia Tai	2013
Quality Control Innovative Enterprise 2012 (2012年度質量管理先進企業)	Fujian Provincial Quality and Technical Supervision (福建省質量技術監督局)	Pucheng Chia Tai	2013
Innovative Products Award	The Tenth (2012) China Animal Husbandry Expo (第十屆(2012)中國畜牧業展覽會組委員)	Pucheng Chia Tai	2012
High-Tech Enterprise Certification	Henan Provincial Department of Science and Technology	Zhumadian Huazhong	2012
The 50 Most Important Enterprises in Zhumadian 2012 (駐馬店市2012年50強企業)	The People's Government of Zhumadian (駐馬店市人民政府)	Zhumadian Huazhong	2012
The 30 Most Important Scaled Enterprises in Zhumadian 2011 (駐馬店市2011年度規模效益30強企業)	The People's Government of Zhumadian (駐馬店市人民政府)	Zhumadian Huazhong	2011

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<u>Award/Accreditation</u>	<u>Awarded by</u>	<u>Awarded to</u>	<u>Year awarded</u>
The 8th Asia-Pacific CEO Award (第8屆亞太地區總裁獎金獎)	Caterpillar	ECI Metro Investment	2011
Fujian Brand Products (福建名牌產品)	Fujian Provincial Government (福建省人民政府)	Pucheng Chia Tai	2010

INSURANCE AND PRODUCT LIABILITY

Our Group maintains, among others, business interruption insurance, property insurance, machinery breakdown insurance, production transportation insurance, public liability insurance and cash insurance covering our production plants, machines and equipment. We also provide social welfare insurance and employer liability insurance for our full-time employees in accordance with relevant PRC laws and regulations. For each of the three years ended 31 December 2012, 2013 and 2014, the total insurance premium paid by our Group for insurance policies to covering our production plants, machines and equipment amounted to approximately USD175,000, USD161,000 and USD174,000, respectively. Our Directors consider that our insurance coverage is generally consistent with the industry practice and the insured amounts of the policies taken out to cover damage to our Group's plants, machines and equipment are sufficient. In addition, ECI Metro Group has obtained, among others, third-party liability insurance whereas Zhanjiang Deni has obtained business interruption insurance, property insurance and production transportation insurance, public liability insurance, cash insurance and employers' liability insurance.

During the Track Record Period, our Group did not face any material product liability claims, third party liability claims or disruptions to business operations. Our Group will continue to closely monitor our exposures to various risks and take corresponding actions to mitigate such risks.

OCCUPATIONAL HEALTH AND SAFETY

Occupational health and safety are important issues to us. We have in place safety guidelines and operating manuals setting out safety measures for the production processes and repair services. In accordance with applicable laws and regulations in the PRC, we provide our employees with training programmes on work safety, including trainings on safe usage of chemicals and machinery and accident prevention and management. We also conduct regular inspections on our machinery to ensure compliance with the safety standards. We also review our safety guidelines periodically to ensure their compliance with applicable national and industrial standards. We have adopted a safe working environment and accident prevention implementation policy. Among other things, the policy identifies the personnel and department responsible for accident management and sets out each employee's responsibility in preventing and managing accidents as well as promoting safety awareness.

During the Track Record Period, we complied with the relevant PRC workplace safety regulatory requirements in all material respects and did not experience any major accidents that resulted in death or serious injury of our employees.

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ENVIRONMENTAL MATTERS

As all of our production facilities are located in the PRC, we are subject to requirements imposed by environmental laws and regulations of the PRC in relation to, among others, air pollution, waste water discharge and noise emissions. Please see the section headed “Regulatory Overview” of this listing document. We have devoted significant operating and financial resources to ensure that our operation complies with these laws and regulations by implementing the following environmental protection measures:

- Power generation from residual heat – We have constructed facilities at Zhumadian Production Plant which will use the residual heat generated in the production processes for power generation.
- Waste water recycling – Waste water is generated during the production process in our production plants. We have installed equipment in the Zhumadian Production Plant which will recycle the waste water generated in the production processes.

We have obtained the Environmental Management System Certification and have also implemented the requirements of ISO14001 in the PRC, which primarily relate to the management of environmental impact of our operations and the compliance with environmental protection laws. Our expenses in respect of environmental compliance matters amounted to approximately USD1.4 million, USD2.9 million and USD2.4 million for each of the three years ended 31 December 2012, 2013 and 2014, respectively.

We believe that our businesses are in compliance with currently applicable national and local environmental laws and regulations in all material aspects. As at the Latest Practicable Date, no material environmental complaints or administrative penalties had been made against or imposed on us. (But please refer to the section headed “Business – Legal Compliance and Proceedings” for the details of a recent incidence of non-compliance which has been rectified.)

PROPERTIES

Owned Properties

Properties owned by our Group

We have obtained the land use right certificates for (i) three parcels of granted land with an aggregate site area of approximately 256,609.05 sq.m. and (ii) one piece of allocation land with an aggregate site area of approximately 353.95 sq.m. We have also obtained the building ownership certificates for (i) 39 buildings situated on granted land in the PRC with an aggregate floor area of approximately 95,433.29 sq.m. and (ii) two buildings situated on allocation land in the PRC with an aggregate floor area of approximately 3,833.39 sq.m. owned by our Group. As advised by our PRC legal adviser, Jun He Law Offices, our Group owns the legal title to the respective land and properties. Except for the properties with title defects or potential defects further disclosed below, our Group has the right to occupy, use, transfer, lease, pledge or otherwise dispose of such properties.

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We have not obtained the land use right certificate for a piece of land located in Putan Village, Wanan Town, with an aggregate floor area of approximately 146,492 sq.m. We have paid the land use right transfer fee and are currently in the process of applying for the land use right certificate. Such land is used as production plants, warehouses and offices. As advised by our PRC legal advisers, Jun He Law Offices, after we have obtained the land use right certificate for this property, we have the right to occupy, use, transfer, lease, pledge or otherwise dispose of such property.

The following title defects or potential defects have been identified with respect to the properties owned by our Group below as at the Latest Practicable Date:

- Pucheng Chia Tai owns one piece of allocation land with an aggregate site area of approximately 353.95 sq.m. and the building situated on this allocation land with an aggregate GFA of approximately 1,363.35 sq.m. for residential purposes. Furthermore, Pucheng Chia Tai owns another building situated on a piece of allocation land with an aggregate GFA of approximately 2,470.04 sq.m. and it is being used as an office. We have obtained the land use right certificate for the piece of allocation land owned by us as well as the building ownership certificates for the two buildings but we did not comply with the land use right granted procedures or pay the land use right transfer fee. As advised by our PRC legal adviser, Jun He Law Offices, we may not transfer, lease, mortgage or otherwise dispose of such properties until we complete the land use right granted procedures and pay the relevant land use right transfer fee. As at the Latest Practicable Date, we have not been subject to any fine, penalty or administrative order by the relevant authorities or any claims from third parties in relation to this defect. Our PRC legal adviser, Jun He Law Offices, is of the view that we can continue to use such allocation land and buildings.
- Zhumadian Huazhong has not obtained the building ownership certificates for 15 buildings in China with a total GFA of approximately 5,700 sq.m., representing approximately 5.4% of the total GFA of properties owned by our Group. These properties are mainly used as production plants, warehouses and laboratories. In addition, Zhumadian Huazhong has not obtained the Building Engineering Construction Permit for all of these 15 properties and did not comply with the final acceptance procedures. However, Zhumadian Huazhong is unable to apply for the building ownership certificates, the Building Engineering Construction Permit or conduct the final acceptance procedures for these affected buildings due to changes in urban zoning from industrial to protected green belt, residential, commercial and financial. As advised by our PRC legal adviser, Jun He Law Offices, the estimated potential liabilities primarily include (i) fines in the amount of not more than 2% of the construction agreement price for not obtaining Building Engineering Construction Permit prior to construction and (ii) fines in the amount of not more than 4% of the construction agreement price for putting into use before completed acceptance. Our Directors confirmed that the construction agreement price was RMB7.1 million, therefore the maximum amount of fines we may be subject to

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would be approximately RMB0.4 million. The cost for relocating the relevant facilities is estimated to be RMB4.1 million. We are further advised by our PRC legal adviser, Jun He Law Offices, that we may not transfer, mortgage or otherwise dispose of such properties until we obtain the relevant building ownership certificate.

- Zhumadian Huazhong has obtained the land use right certificate for one piece of granted land with an aggregate site area of approximately 111,225.50 sq.m. and nine building ownership certificates for buildings situated on such land with a total GFA of approximately 30,826.67 sq.m. This piece of land is used for production plants, warehouses and offices. According to the land use right certificate obtained from the land administrative authority, Zhumadian Huazhong may not transfer, lease, mortgage, donate the land use right as well as the buildings situated on such land or change the use of land without the permission from the relevant authority.

Our Directors are of the view that these defects would not have any material and adverse impact on our business and operations because (i) these properties with defective titles are not individually or collectively crucial to our operations; (ii) we can find comparable properties to relocate the relevant facilities or relocate to our other self-owned properties, if necessary; (iii) we do not anticipate any material practical difficulties in relocating these facilities and the estimated time and cost for relocation are not material; (iv) the safety conditions of the 15 buildings are not negatively impacted by the lack of building ownership certificates; and (v) compared with similar buildings in comparable neighbourhood, we believe that there is no material difference in the land cost and construction expenses in relation to the 15 buildings arising in connection with the lack of building ownership certificates. As such, we believe that the existing defects of these properties and any potential relocation would not constitute a material adverse effect on our operations and financial condition.

Properties owned by ECI Metro Group and Zhanjiang Deni

The land use right certificates for (i) six parcels of granted land with an aggregate site area of approximately 230,803.09 sq.m. and (ii) one piece of allocation land with an aggregate site area of approximately 34.97 sq.m. owned by ECI Metro Group and Zhanjiang Deni as of the Latest Practicable Date have been obtained. The building ownership certificates for (i) four buildings situated on granted land in the PRC with an aggregate floor area of approximately 5,488.1 sq.m. and (ii) three buildings situated on allocation land in the PRC with an aggregate floor area of approximately 1,571.79 sq.m. owned by ECI Metro Group and Zhanjiang Deni as of the Latest Practicable Date have also been obtained. As advised by our PRC legal adviser, Jun He Law Offices, each of ECI Metro Group and Zhanjiang Deni owns the legal title to the respective land and properties. Except for the properties with title defects or potential defects further disclosed below, each of ECI Metro Group and Zhanjiang Deni has the right to occupy, use, transfer, lease, pledge or otherwise dispose of such properties.

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The following title defects or potential defects have been identified with respect to the properties owned by ECI Metro Group and Zhanjiang Deni below as at the Latest Practicable Date:

- ECI Metro Group owns one piece of allocation land with an aggregate site area of approximately 34.97 sq.m. and the buildings situated on such allocation land with an aggregate GFA of approximately 375.08 sq.m. for non-residential purposes. ECI Metro Group has obtained the land use right certificate for such allocation land but it did not comply with the land use right granted procedures or pay the land use right transfer fee. As advised by our PRC legal adviser, Jun He Law Offices, ECI Metro Group may not transfer, lease, mortgage or otherwise dispose of such properties until it completes the land use right granted procedures and pays the relevant land use right transfer fee. As at the Latest Practicable Date, ECI Metro Group has not been subject to any fine, penalty or administrative order by the relevant authorities or any claims from third parties in relation to this defect. Our PRC legal adviser, Jun He Law Offices, is of the view that ECI Metro Group can continue to use such allocation land and buildings.
- Zhanjiang Deni owns two buildings situated on two pieces of allocation land with an aggregate GFA of approximately 1,196.71 sq.m. which is used as a carpark. Zhanjiang Deni did not comply with the land use right granted procedures or pay the land use right transfer fee. As advised by our PRC legal adviser, Jun He Law Offices, Zhanjiang Deni may not transfer, lease, mortgage or otherwise dispose of such properties until it completes the land use right granted procedures and pays the relevant land use right transfer fee.

As of the Latest Practicable Date, ECI Metro Group and Zhanjiang Deni had two properties in the PRC where construction was in progress. Our PRC legal adviser has confirmed that, as of the Latest Practicable Date, ECI Metro Group has obtained the relevant construction approvals and permits for its property under construction in the PRC. In relation to the property under construction for Zhanjiang Deni, eight buildings with an aggregate GFA of approximately 56,774.87 sq.m. were used without having obtained the relevant inspection approvals. As advised by our PRC legal adviser, Jun He Law Offices, Zhanjiang Deni may be subject to administrative orders by the relevant authorities for such use without obtaining inspection approvals, for which the maximum fine is RMB2.0 million, and Zhanjiang Deni could be required to cease production. However, our Directors confirm that the applications for inspection approvals by different government authorities are in progress or being prepared. On the basis of such confirmation, our PRC legal adviser has advised that the risk of Zhanjiang Deni being required to cease production at these buildings for using them before obtaining inspection approvals is not high and that it may use the buildings in the normal manner and carry out production at these buildings in the normal manner following completion of the applications for inspection approvals.

Leased Properties

As of the Latest Practicable Date, our Group leased five properties with a total area of approximately 509.96 sq.m., the ECI Metro Group leased 68 properties with a total area of approximately 64,047.14 sq.m. and Zhanjiang Deni leased two properties with a total area of approximately 3,202.11 sq.m. Among these properties:

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- the lessor of one property leased by us with an aggregate GFA of approximately 130 sq.m., representing approximately 25.49% of the total GFA of properties leased by our Group, had not provided us with the relevant title certificates or other documents evidencing authorisation of the leasing and similarly, the lessors of 49 properties with an aggregate GFA of approximately 37,805.74 sq.m. leased by ECI Metro Group, representing approximately 59.03% of the total GFA of properties leased by ECI Metro Group, had not provided them with the relevant title certificates or other documents evidencing authorisation of the leasing (whereas the lessors of both properties with an aggregate GFA of 3,202.11 sq.m. leased by Zhanjiang Deni had). These affected properties are mainly used for offices, staff dormitories and warehouses.

As advised by our PRC legal adviser, Jun He Law Offices, with respect to these properties, the lessees will not be penalised for the lessors' failure to provide the title certificates or other documents evidencing authorisation of the leasing. However, if the lessors do not have the lawful rights to the properties, the relevant lease agreements may not be enforceable under PRC law and consequently the lessees may not be able to continue to occupy and use such properties. As of the Latest Practicable Date, we were not aware of any challenge being made by any third party to our current occupation and use of such properties. The lessees may be required to cease occupation and use of such leased property if a valid claim for these properties arises. The affected property of our Group is used as staff dormitory and the employees will bear the relocation cost on their own whereas the cost to ECI Metro Group and Zhanjiang Deni for relocating their affected properties is estimated to be RMB5.1 million.

- the lease agreements with respect to all of the 75 properties leased by our Group, ECI Metro Group and Zhanjiang Deni had not been registered or filed with the relevant authorities in accordance with applicable PRC laws and regulations. The affected properties were mainly used as offices, staff dormitories and warehouses. As advised by our PRC legal adviser, Jun He Law Offices, the failure to complete the administrative filings does not affect the validity or enforceability of the relevant lease agreements. However, the relevant governmental authorities may require that the lease agreements be registered within a stated period of time, failing which the PRC housing administration authorities may impose a maximum fine of RMB10,000 for each agreement that has not been properly registered. It is not clear under PRC law whether the fine which may be imposed on the non-registration of a lease agreement would be borne by the lessor or lessee. If the government authorities determine that our Group, the ECI Metro Group and Zhanjiang Deni, as lessees, are liable for any or all of the fines, our Group, the ECI Metro Group and Zhanjiang Deni could be required to pay a maximum fine of RMB750,000 for all relevant leases. According to applicable PRC laws, lessors of the relevant properties need to provide us with certain documents in order to complete the administrative filings, which is beyond our control. As of the Latest Practicable Date, our Group, the ECI Metro Group and Zhanjiang Deni had not been fined by any regulatory authorities for non-registration of the lease agreements and our business operations have not been disrupted due to the failure to complete the administrative filings.

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Our Directors are of the view that these defects would not have any material and adverse impact on our business and operations because (i) we can find comparable properties to relocate the relevant facilities or relocate to our other self-owned properties, if necessary; (ii) we do not anticipate any material practical difficulties in relocating these facilities; (iii) the estimated time and cost for relocation are not material; and (iv) compared with similar properties in comparable neighbourhood, there is no material difference in the rental expenses arising in connection with such defects.

None of the owned and leased properties with defects as disclosed above are material to our operations. For the owned properties with title defects owned by our Group, ECI Metro Group and Zhanjiang Deni, the maximum exposure includes: (i) inability to transfer, lease, mortgage or otherwise dispose of such properties until the relevant land use right granted procedures is completed and the relevant land use right transfer fee has been paid; (ii) a maximum fine of approximately RMB0.4 million; (iii) relocation of the relevant facilities and the related relocation cost is estimated to be RMB4.1 million; (iv) inability to transfer, mortgage or otherwise dispose of such properties until the relevant building ownership certificate is obtained; and (v) inability to transfer, lease, mortgage or donate the land use rights as well as the buildings situated on such land or change the use of land without the permission from the relevant authority. For the leased properties with title defects leased by our Group, ECI Metro Group and Zhanjiang Deni, the maximum exposure includes: (i) the lessees may be required to cease occupation and use of such leased property if a valid claim for these properties arises and the aggregate related relocation cost for all of these leased properties is estimated to be RMB5.1 million; and (ii) a maximum fine of RMB750,000 for all relevant leases.

In addition, a piece of land with an aggregate site area of approximately 83,580.80 sq.m. with 31 buildings situated on it currently used by Dongfeng Shiyan as its production facility is owned by 東風汽車公司 (Dongfeng Automobile*). As Dongfeng Shiyan has not entered into any tenancy agreement with 東風汽車公司 (Dongfeng Automobile*) or Dongfeng Electronic (being the lessee from Dongfeng Automobile*) in respect of such land and buildings, as advised by our PRC legal adviser, Jun He Law Offices, Dongfeng Shiyan may not be allowed to continue to use such land and the buildings situated on it. Given that Dongfeng Shiyan has now commenced discussions with 東風汽車公司 (Dongfeng Automobile*), and taking into account the party which owns the 52% equity interest in Zhanjiang Deni is ultimately controlled by 東風汽車公司 (Dongfeng Automobile*), our Directors consider it unlikely that Dongfeng Shiyan will be forced to cease to use such land and the buildings situated on it.

Internal Control Measures

To further enhance our management of the owned and leased properties and prevent incidents of additional properties with title defects, we have adopted the following internal control measures:

- we have made our employees who are responsible for making decisions to purchase or lease properties to be accountable for title defects of the owned or leased properties and to be responsible for ratifying the defects within a reasonable time frame;

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- we have requested our employees to promptly report to us regarding any property defects which have come to their knowledge. Should a situation arise where the usage of land has deviated from the initial intended usage approved by the PRC government, it should be immediately reported to the management. The management will then consider if an application for obtaining additional approval from the PRC government should be made; and
- the Vice President of Zhumadian Huazhong, the General Manager of Dealer Development of ECI Metro Group and the Finance Manager of Zhanjiang Deni will review more prudently the properties we propose to lease or acquire, particularly the nature, designated use and title certificates of the relevant properties, in order to identify any title defects and will consult with the legal advisers if necessary, to assess the liabilities and/or penalties which might arise if the lease or acquisition were to proceed, and will only proceed with the leasing or the acquisition if it would not result in material liabilities or penalties or other material loss. In the case of the Vice President of Zhumadian Huazhong, he will consider such liabilities, penalties or other loss arising from the property proposed to be leased or acquired collectively with the existing properties of our Group with title defects.

Our Directors consider that the above measures will effectively help to prevent future occurrence of the title defects mentioned above. Based on our Directors' views, the Sole Sponsor is not aware of any issue that indicates the internal control measures adopted by our Company will not be effective in preventing future occurrence of the title defects mentioned above.

INTERNAL CONTROL AND RISK MANAGEMENT

It is the responsibility of our Board of Directors to ensure that our Company maintains sound and effective internal controls to safeguard our Shareholders' investment and our Group's assets at all times. We have adopted, or expect to adopt before the Listing, a series of internal control policies designed to provide reasonable assurance for achieving objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal control system include the following:

- *Balanced composition of our Board.* It is our principle that our Board should include a balanced composition of Directors. We believe our independent non-executive Directors are of sufficient experience, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide an impartial, external opinion to protect the interests of our Shareholders. For detailed information, please refer to the section headed "Directors and Senior Management" of this listing document.
- *Permits and Licenses.* We will maintain a list of permits and licenses that are required in order for us to operate a CTC production plant or to manufacture CTC products and will update this list from time to time based on our experience with local authorities and advice from our external advisers. We will monitor the attainment of permits and licenses against such list and ensure that all relevant permits and licenses are obtained prior to the respective expiry dates.

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- *Compliance with Listing Rules.* Our various policies aim to ensure compliance with the Listing Rules, including but not limited to aspects related to corporate governance, connection transactions and securities transactions by our Directors. We have also appointed Guotai Junan Capital Limited as our compliance adviser with effect from the Listing Date to advise on on-going compliance with the Listing Rules and other applicable securities laws and regulations in Hong Kong.

We are exposed to various risks during our operation. For more details, see “Risk Factors.” We have implemented various policies and procedures to ensure effective risk management at each aspect of our operations, including the procurement of raw materials, production and sales of CTC products, administration of daily operations, financial reporting and recording, and fixed assets management. Our Board oversees and manages the overall risks associated with our operations. We have established an audit committee to review and supervise the financial reporting process and internal control system of our Group. Please refer to “Directors and Senior Management – Board Committees – Audit Committee” for the qualifications and experience of these committee members as well as a detailed description of the responsibility of our audit committee. We have prepared written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, our Group had a total of nine registered trademarks, 22 patents and two domain names in the PRC and other jurisdictions. We had also applied for the registration of a total of 16 patents in the PRC and other jurisdictions. Some of our trademarks, including “Shihao 施豪” and “Citifac 喜特肥” are of material importance to our biochemical business.

As at the Latest Practicable Date, the ECI Metro Group had one domain name in the PRC. Zhanjiang Deni had a total of nine registered trademarks, 74 patents and one domain name in the PRC and other jurisdictions.

We believe that we were not affected by infringement of our intellectual property rights by any third parties or did not violate any intellectual property rights of third parties during the Track Record Period. Please refer to the section headed “General Information – Further Information About The Business Of Our Company – Intellectual property” in Appendix III to this listing document for further details relating to our intellectual property.

LEGAL COMPLIANCE AND PROCEEDINGS

Corrective Measures taken to rectify breach of Environmental Protection Laws

The local environmental protection bureau of Zhumadian inspected the Zhumadian Production Plant in January 2014 and found that coal was stored in the open air, which was in violation of certain environmental protection laws including the Air Pollution Prevention Law (《大氣污染防治法》), and ordered Zhumadian Huazhong to implement corrective measures

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to rectify such non-compliance by 11 March 2014. In May 2014, the Department of Environmental Protection of Henan Province issued a notice to include Zhumadian Huazhong in the environmental protection blacklist after it had failed to implement rectification measures to the satisfaction of the Department of Environmental Protection of Henan Province. Zhumadian Huazhong then took appropriate measures to rectify the non-compliance by building an enclosed coal storage as well as modifying an existing coal storage at the Zhumadian Production Plant for keeping coal in an enclosed environment.

Following the inspection by the Department of Environmental Protection of Henan Province in September 2014 of the Zhumadian Production Plant and the on-site coal storage facilities, Zhumadian Huazhong was formally removed from the environmental protection blacklist as confirmed by a notice issued by the Department of Environmental Protection of Henan Province on 8 October 2014. Our PRC legal adviser, Jun He Law Offices, is also of the view that the likelihood of Zhumadian Huazhong being penalised for such previous breach of environmental protection law is remote and that such previous breach is unlikely to result in any material penalty or other material adverse consequence. Our Directors confirm that the non-compliance incident has no material adverse impact on our Group's business, financial condition and results of operations.

Non-compliant Foreign Exchange Purchasing

According to the decision of administrative proceedings issued by the SAFE Yunnan Branch to Yunnan ECI Metro on 8 November 2013, the SAFE Yunnan Branch identified certain incidents of non-compliance with respect to the foreign exchange activities of Yunnan ECI Metro, with an aggregate transaction amount of approximately US\$3.5 million. Yunnan ECI Metro was discovered to have mistakenly arranged for double payment by using the same set of purchase contracts and invoices twice, first in December 2011 to purchase, as approved by the manager of its finance department, foreign exchange from banks in the form of a letter of credit, to pay for one set of purchase contracts and invoices in U.S. dollars and then in January and February 2012 to purchase, as approved by its general manager and the manager of its finance department, foreign exchange to settle monthly balances which included amounts due in respect of the same invoices. According to The Foreign Exchange Administration Regulations (《外匯管理條例》), the potential liability for such non-compliant foreign exchange purchasing includes the return of the purchased foreign exchange and a fine up to 30% or, in serious cases (which are not further defined in such regulations), between 30% and 100% of the foreign exchange transaction amount. However, in view of Yunnan ECI Metro being co-operative during the investigation and the duplicated foreign exchange payment was returned on 25 June 2013, SAFE Yunnan Branch imposed a fine of RMB550,000 (which was equal to approximately 2.5% of the foreign exchange transaction amount) and Yunnan ECI Metro has paid such fine to SAFE Yunnan Branch. Our PRC legal adviser, Jun He Law Offices, has confirmed that our Company will not be subject to any further administrative sanction by SAFE authorities arising out of the same non-compliance incident.

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Such non-compliant foreign exchange purchase was an inadvertent administrative error by the management of Yunnan ECI Metro. Having made due enquiries with Yunnan ECI Metro and based on the confirmation from Yunnan ECI Metro, our Directors confirm that this was an isolated incident. Subsequent to such non-compliant incident, Yunnan ECI Metro has taken certain measures to prevent non-compliance in the future and to improve the management of its foreign exchange activities, such as (i) establishing clear requirements for the settlement and payment review processes for purchase contracts involving foreign currencies, key review areas, record-keeping and account management; (ii) reforming the standardized operational procedures, including assigning personnel to monitor foreign exchange policy changes; (iii) emphasizing communication between different departments to ensure any problems arising out of daily operations can be reported and handled on a timely basis; and (iv) organizing training for all document processing personnel of the relevant departments, focusing on the relevant rules and operational procedures regarding foreign exchange settlement, sale and payment management and training for all staff at the relevant departments on the relevant foreign exchange policies.

Our Directors are of the view that the measures adopted by Yunnan ECI Metro are adequate and effective in preventing future occurrence of non-compliance with respect to the foreign exchange activities mentioned above. Based on the view of our Directors, the Sole Sponsor is not aware of any issue that indicates the measures adopted will not be adequate or effective in preventing future occurrence of non-compliance with respect to the foreign exchange activities mentioned above.

Legal Compliance

As at the Latest Practicable Date, none of the members of our Group or our Directors is a party to any legal, arbitration or administrative proceedings, and no proceedings are known by any member of our Group or our Directors to be contemplated by government authorities or third parties, which, if adversely determined, would materially and adversely affect our Group. In addition, ECI Metro Group is subject to product liability claims and contractual disputes from time to time although none of these claims or disputes, if adversely determined, would materially and adversely affect our Group.

Save as disclosed in this listing document, our PRC legal advisers, Jun He Law Offices, confirmed that we complied with all relevant laws and regulations in the PRC during the Track Record Period and we have obtained all relevant approvals, permits, licences and certificates necessary for our operations and business in all material respects.

RELATIONSHIPS WITH THE CONTROLLING SHAREHOLDER AND THE REMAINING CPP GROUP

CONTROLLING SHAREHOLDER

As at the Latest Practicable Date, CPF held 100% of the CPP Preference Shares in issue, and, through its wholly-owned subsidiary CPFI, was interested in approximately 47.8% of the CPP Ordinary Shares in issue. As at the date of this listing document and up to the Distribution, CPP holds 100% of the issued share capital of our Company. Immediately after the Distribution, our Company will cease to be part of the Remaining CPP Group but will remain a subsidiary of CPF. CPF will be interested in 47.8% of the issued Ordinary Shares of our Company through CPFI and will also hold 100% of the issued Preference Shares of our Company. Upon Listing, CPF will, indirectly through its wholly-owned subsidiary CPFI, be our Controlling Shareholder.

CPF was organised under the laws of the Kingdom of Thailand on 17 January 1978 and has been a public listed company whose shares are traded on the Stock Exchange of Thailand since 21 December 1987. CPF together with its subsidiaries is an agro-industrial and food conglomerate and is principally engaged in four major business segments, namely (a) the feed business which involves the manufacturing and sales of animal feed; (b) the farm business which involves the animal breeding, animal farming, and basic meat processing; (c) the food business which involves the production of partially-cooked and fully cooked meat, as well as food products under CPF's brands and customers' brands; and (d) the retail and food outlets business which involves the operation of food retail outlets, restaurants and food courts.

RULE 8.10 OF THE LISTING RULES

As of the Latest Practicable Date, apart from the businesses in which our Group is involved, our Controlling Shareholder was not engaged or did not have interest in any business which, directly or indirectly, competes or may compete with the businesses in which our Group is involved and which would require disclosure under Rule 8.10 of the Listing Rules. None of our Directors had an interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses in which our Group is involved.

CLEAR DELINEATION OF BUSINESS BETWEEN THE REMAINING CPP GROUP AND OUR GROUP

Following the completion of the Spin-off, there will be a clear delineation between the businesses of our Group and the businesses retained by the Remaining CPP Group. This delineation will be based on the difference in the nature of business and focus.

Our Group will (i) be engaged in the biochemical business which focuses on the manufacture and sale of CTC products; and (ii) have interests in a joint venture and an associated company engaged in the industrial business which focuses on the trading of Caterpillar Products and the manufacture and sale of carburetors and automotive parts.

The Remaining CPP Group will primarily be engaged in the manufacture and sale of animal feed products; breeding, farming and sale of livestock and aquatic animals and the manufacture and sale of value-added processed food products.

RELATIONSHIPS WITH THE CONTROLLING SHAREHOLDER AND THE REMAINING CPP GROUP

In view of the different nature of business and focus of the agri-food business of the Remaining CPP Group and the biochemical and industrial businesses in which our Group is involved in, our Directors are of the view that there will be a clear delineation between the retained businesses of the Remaining CPP Group and the businesses of our Group.

Whilst our Group will continue to operate independently of the Remaining CPP Group, there will be certain transactions between our Group and the Remaining CPP Group which will continue following the Listing. Further information of these transactions is set forth in the section headed “Connected Transactions” in this listing document.

INDEPENDENCE OF OUR GROUP FROM THE CONTROLLING SHAREHOLDER AND THE REMAINING CPP GROUP

Our Directors are satisfied that our Group is capable of carrying on its business independently from our Controlling Shareholder and the Remaining CPP Group after the Listing. This conclusion is based on, among other factors, the following:

Management Independence

Our Company and CPP have separate boards of directors that function independently. The following table sets forth the directorship of our Company and CPP following completion of the Spin-off and the Listing:

	<u>Our Company</u>	<u>CPP</u>
Executive directors	Thirayut Phityaisarakul Thanakorn Seriburi Nopadol Chiaravanont Yao Minpu	Dhanin Chearavanont (<i>Chairman</i>) Adirek Sripratak Soopakij Chearavanont Bai Shanlin Sooksunt Jiumjaiswanglerg Anan Athigapanich Suphachai Chearavanont Arunee Watcharananan
Non-executive director . . .	Soopakij Chearavanont (<i>Chairman</i>)	Meth Jiaravanont
Independent non-executive directors	Surasak Rounroengrom Cheng Yuk Wo Ko Ming Tung, Edward	Ma Chiu Cheung, Andrew Sombat Deo-isres Sakda Thanitcul Vinai Vittavasgarnvej Vatchari Vimooktayon

RELATIONSHIPS WITH THE CONTROLLING SHAREHOLDER AND THE REMAINING CPP GROUP

Mr. Thanakorn Seriburi is our Chief Executive Officer (Industrial Division) and our Executive Director. He is an executive director of CPP and Vice Chairman and Chief Executive Officer (Industrial Division) as of the date of this listing document, and he will resign from his current position on the board of directors of CPP to focus on his responsibilities as our Executive Director upon completion of the Spin-off and Listing.

Upon Listing, our Company and CPP will only have one common director, namely Mr. Soopakij Chearavanont. Mr. Soopakij Chearavanont is our Chairman and our non-executive Director and he is also the vice chairman and executive director of CPP. He is expected to continue in those positions in relation to CPP and continue to have executive functions in the Remaining CPP Group. As our non-executive Director, Mr. Soopakij Chearavanont is expected to take up a strategic role in formulating the development plans of our Group and will not be involved in the daily operations or management of our Group. Our Directors believe that such arrangements will not affect the discharge of his duties to our Group.

In the event of any actual or potential conflict of interest between the Remaining CPP Group and our Group, Mr. Soopakij Chearavanont (who remains on the board of CPP) will abstain from voting on the relevant board resolution and the other seven directors (including all the independent non-executive Directors) will be able to decide and vote on the relevant matter.

On the basis of the arrangements described above, our Directors are satisfied that they are able to perform their roles as Directors independently and believe that each of the Remaining CPP Group and our Group will be managed independently of each other in the interests of their respective shareholders as a whole.

Operational Independence

Historically the biochemical and industrial businesses in which our Group is involved in have been operated separately and independently from the businesses of the Remaining CPP Group. The relevant assets of the biochemical and the industrial businesses have operated and have been managed independently of the Remaining CPP Group. It is expected that such independence will continue following completion of the Spin-off.

Our manufacturing bases are located in areas different from those of our Controlling Shareholder.

We do not rely on our Controlling Shareholder for our business development, staffing, administration, information technology, sales and marketing. We have our own departments specialising in these respective areas which have been in operation and are expected to continue to operate independently from our Controlling Shareholder. Following completion of the Spin-off, all essential administrative functions will be carried out by our Group. In particular, our Group will have its own capabilities, or will acquire relevant services, to perform all essential administrative functions such as finance, accounting, administration and human resources.

RELATIONSHIPS WITH THE CONTROLLING SHAREHOLDER AND THE REMAINING CPP GROUP

We have independent access to suppliers and customers and an independent management team to handle our daily operations. We are in possession of all relevant licenses necessary for operations and we have sufficient operational capacity in terms of capital and employees to operate independently. In addition, we own all our material intellectual properties necessary for our operations. We currently own and lease properties from landlords independent of our Controlling Shareholder for our operational needs.

Save and except for our transactions with the Remaining CPP Group which are set forth in the section headed “Connected Transactions” in this listing document, we have not entered into any other transactions with our Controlling Shareholder and their associates and the Remaining CPP Group. Our major suppliers and customers are all accessible independently from our Controlling Shareholder and their associates and the Remaining CPP Group. We do not rely on our Controlling Shareholder or their associates or the Remaining CPP Group for the provision of raw materials or sale of products.

Having considered the above factors, our Directors believe that we are capable of operating and conducting our businesses independently from our Controlling Shareholder and their associates and the Remaining CPP Group.

Financial Independence

We have independent financial system and finance team responsible for our treasury functions. We have made and will continue to make financial decisions based on our own business needs. Outstanding loans between our Group and the Remaining CPP Group (if any) are expected to have been settled before the Listing. Accordingly, it is not expected that there will be any outstanding indebtedness due from our Group to the Remaining CPP Group upon Listing.

Our Directors believe that our Group will be able to obtain further financing such as bank loans, if necessary, upon market terms and conditions without relying further on financial assistance or credit support from our Controlling Shareholder and its associates after the Listing.

For the above reasons, our Directors consider that there is no financial dependence on our Controlling Shareholder.

CORPORATE GOVERNANCE MEASURES

Our Board consists of three independent non-executive Directors to ensure that our Board is able to effectively exercise independent judgement in its decision-making process and provide independent advice to our Shareholders. Our Group will ensure that our independent non-executive Directors are of sufficient calibre, knowledge and experience, have no prior connections or relationships with our Group or our connected persons and will carry weight in our Group’s decision-making process. The background and experiences of the independent non-executive Directors are set out in the section headed “Directors and Senior Management” in this listing document.

RELATIONSHIPS WITH THE CONTROLLING SHAREHOLDER AND THE REMAINING CPP GROUP

In addition, our Company will implement the following corporate governance measures following the Spin-off:

- (a) Any transaction made (or proposed to be made) between our Company and our connected persons will be required to comply with (i) Chapter 14A of the Listing Rules which include, but without limitation to, where applicable, the announcement, reporting, circular and shareholders' approval requirements and (ii) those other conditions imposed by the Stock Exchange for the granting of waiver from strict compliance with the relevant requirements under the Listing Rules.
- (b) If there is any conflict of interests in the operations of the Remaining CPP Group and us, and in respect of any proposed contracts or arrangements entered into or to be entered into between the Remaining CPP Group and us, any director of our Company and CPP who is considered to be interested in the relevant matter will be required to disclose his interests to the respective boards of directors. In general, after the Listing, any Director who has a material interest in actual or potential connected transactions will be required under the Listing Rules and the Bye-laws to abstain from voting in meetings of the Board in relation to such transactions. In these cases, our three independent non-executive Directors will bring their independence to our Board's decision making process. They will also advise and vote on the transactions and can seek independent advice from external financial advisers if required. Our non-conflicting executive Directors would also bring their extensive experience and expertise to our Board.
- (c) Our independent non-executive Directors will disclose decisions (with bases) on matters in relation to or transactions with the Remaining CPP Group reviewed in the interim and the annual reports of our Company or by way of announcement to be published in compliance with the disclosure requirements under the Listing Rules.

In light of the above measures to be implemented by our Board and the fact that all the directors of our Company and CPP (other than Mr. Soopakij Chearavanont) and the senior management teams are independent and are experienced in their respective business activities, the directors of both companies confirm that their respective boards of directors will be able to function and operate independently and effectively in the best interest of the respective companies.

CONNECTED TRANSACTIONS

OVERVIEW

We have entered into certain transactions with parties who will become our connected persons upon the Listing. Since these transactions will continue following the Listing Date, they will constitute continuing connected transactions of our Company under the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS SUBJECT TO THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT, CIRCULAR AND SHAREHOLDERS' APPROVAL REQUIREMENTS

Our Group has entered into the following continuing connected transactions which would ordinarily be subject to the reporting, annual review, announcement, circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO OUR BIOCHEMICAL BUSINESS

A. Supply of various CTC products and animal drugs (including any antibiotics) (the "CTEI Products") by our Group to the Remaining CPP Group

Principal Terms

Currently, certain companies in our Group supply CTEI Products in the ordinary course of business to certain companies in the Remaining CPP Group. Upon Listing, CPP will become a fellow subsidiary of our Company and CPP and its subsidiaries will become connected persons of our Company under the Listing Rules.

Historical Transaction Amounts

For each of the financial year ended 31 December 2012, 2013 and 2014, the aggregate sales of CTC products by our Group to the Remaining CPP Group were as follows:

2012		2013		2014	
Volume of Supply	Amount of Supply	Volume of Supply	Amount of Supply	Volume of Supply	Amount of Supply
(Tons)	(US\$'000)	(Tons)	(US\$'000)	(Tons)	(US\$'000)
1,263	2,827	1,361	3,197	2,723	6,389

CONNECTED TRANSACTIONS

CPP Master Supply Agreement

Our Group expects to continue with the supply arrangements of the CTEI Products with the Remaining CPP Group following the Listing Date and will continue to do so on an arm's length basis and on normal commercial terms. To ensure that the CTEI Products supply arrangements between our Group and the Remaining CPP Group comply with Rules 14A.34, 14A.51 and 14A.52 of the Listing Rules, our Company entered into a master supply agreement with CPP on 16 April 2015 (the "**CPP Master Supply Agreement**"). Under the terms of the CPP Master Supply Agreement, the quantity and the price of the CTEI Products to be supplied to the Remaining CPP Group from time to time pursuant to any purchase order accepted by our Group shall be determined through good faith negotiation between the Remaining CPP Group and our Group. Our Group maintains a price list for CTEI Products, which shall be used to determine the prices of the CTEI Products to be supplied to the Remaining CPP Group and to Independent Third Parties. Prices of CTEI Products are determined with reference to the cost of raw materials, other value added (for example, manufacturing and marketing), reasonable profit margins and market demand for the CTEI Products. Depending on the type of CTEI Products, our Group has different profit margins for different CTEI Products. In determining the price list for CTEI Products, our Group will also consider competitive prices offered by Independent Third Party suppliers of similar products. The price list for CTEI Products is approved by management of our Group and is reviewed approximately four times per year depending on changes in the market. The consideration factors and procedures for determining the prices for CTEI Products described above are the same as the consideration factors and procedures used for determining the prices of the CTEI Products to be supplied to Independent Third Party customers. The price for any CTEI Products to be sold and purchased pursuant to the relevant purchase order shall be no less favourable to the Remaining CPP Group and our Group than those available from Independent Third Parties. The CPP Master Supply Agreement will expire on 31 December 2017 and is automatically renewable for successive periods of three years thereafter, subject to compliance with the then applicable provisions of the Listing Rules, unless it is terminated by either party giving no less than 30 days' prior written notice.

Annual Caps

In accordance with Rule 14A.53 of the Listing Rules, we have set annual caps for the maximum aggregate amounts payable under the CPP Master Supply Agreement for the financial years ending 31 December 2015, 2016 and 2017 (in the case of the period from the Listing Date, when the agreement will come into force, up to 31 December 2015, the pro-rated portion of the volume and amount shown below) as follows:

2015		2016		2017	
Volume of Supply	Amount of Supply	Volume of Supply	Amount of Supply	Volume of Supply	Amount of Supply
(Tons)	(US\$'000)	(Tons)	(US\$'000)	(Tons)	(US\$'000)
5,140	12,019	5,682	13,176	6,313	14,515

CONNECTED TRANSACTIONS

The annual caps have been estimated primarily based on the following factors:

- (1) the historical sales of CTC products by our Group to the Remaining CPP Group including, in particular, increased sales of CTC products by Zhumadian Huazhong to a Vietnam subsidiary in the Remaining CPP Group since the fourth quarter of 2014. Based on our unaudited financial information for the three months ended 31 March 2015, the sales to the Vietnam subsidiary in the Remaining CPP Group for that period was approximately US\$2.3 million, representing a 491.9% increase compared to the same period in 2014. Our Company understands the increased sales was due to plans by the Vietnam purchaser to adjust upwards the amount of CTC Premix used in its feed products in response to the approval obtained from the Vietnam Ministry of Agriculture and Rural Development in May 2014 for it to use an amount of CTC Premix that is above the national standard in its feed products. Accordingly the Company expects that similar orders from this customer will be repeated in the future, and as a result, a significant increase has been allowed for in the annual cap under the CPP Master Supply Agreement for the financial year ending 31 December 2015 as compared to the historical transaction amount for the immediately preceding financial year;
- (2) the prevailing market price of CTEI Products, taking into account the prices set by competitors and allowances for possible price fluctuations. Our Group currently expects the average selling price of CTEI Products for the three financial years ending 31 December 2017 to remain at similar level; and
- (3) the expected increase in the demand by the Remaining CPP Group for CTEI Products. Our Group expects an annual increase of approximately 10% in the volume of the CTEI Products to be supplied to the Remaining CPP Group for each of the two financial years ending 31 December 2017 due to the potential growth of the Remaining CPP Group's business.

B. Supply of CTEI Products by our Group to the HOEL Group

Principal Terms

Currently, certain companies in our Group supply CTEI Products in the ordinary course of business to certain companies in the HOEL Group. Due to CPG's near majority shareholding in CPF, which directly or indirectly through its wholly-owned subsidiary will be interested in 10% or more of the issued voting share capital of our Company after the Listing Date, our Company and CPG have agreed to treat CPG as a substantial shareholder of our Company for the purposes of Chapter 14A of the Listing Rules upon Listing. As HOEL is a wholly-owned subsidiary of CPG, companies in the HOEL Group will be regarded as connected persons of our Company under the Listing Rules.

CONNECTED TRANSACTIONS

Historical Transaction Amounts

For each of the financial year ended 31 December 2012, 2013 and 2014, the aggregate sales of CTC products by our Group to the HOEL Group were as follows:

2012		2013		2014	
Volume of Supply	Amount of Supply	Volume of Supply	Amount of Supply	Volume of Supply	Amount of Supply
(Tons)	(US\$'000)	(Tons)	(US\$'000)	(Tons)	(US\$'000)
1,263	2,776	852	1,984	842	1,893

HOEL Master Supply Agreement

Our Group expects to continue with the supply arrangements of the CTEI Products with the HOEL Group following the Listing Date and will continue to do so on an arm's length basis and on normal commercial terms. To ensure that the CTEI Products supply arrangements between our Group and the HOEL Group comply with Rules 14A.34, 14A.51 and 14A.52 of the Listing Rules, our Company entered into a master supply agreement with HOEL on 16 April 2015 (the "**HOEL Master Supply Agreement**"). Under the terms of the HOEL Master Supply Agreement, the quantity and the price of the CTEI Products to be supplied to the HOEL Group from time to time pursuant to any purchase order accepted by our Group shall be determined through good faith negotiation between the HOEL Group and our Group. Our Group maintains a price list for CTEI Products, which shall be used to determine the prices of the CTEI Products to be supplied to the HOEL Group and to Independent Third Parties. Prices of CTEI Products are determined with reference to the cost of raw materials, other value added (for example, manufacturing and marketing), reasonable profit margins and market demand for CTEI Products. Depending on the type of the CTEI Products, our Group has different profit margins for different CTEI Products. In determining the price list for CTEI Products, our Group will also consider competitive prices offered by Independent Third Party suppliers of similar products. The price list for CTEI Products is approved by management of our Group and is reviewed approximately four times per year depending on changes in the market. The consideration factors and procedures for determining the prices for CTEI Products described above are the same as the consideration factors and procedures used for determining the prices of the CTEI Products to be supplied to Independent Third Party customers. The price for any CTEI Products to be sold and purchased pursuant to the relevant purchase order shall be no less favourable to the HOEL Group and our Group than those available from Independent Third Parties. The HOEL Master Supply Agreement will expire on 31 December 2017 and is automatically renewable for successive periods of three years thereafter, subject to compliance with the then applicable provisions of the Listing Rules, unless it is terminated by either party giving no less than 30 days' prior written notice.

CONNECTED TRANSACTIONS

Annual Caps

In accordance with Rule 14A.53 of the Listing Rules, we have set annual caps for the maximum aggregate amounts payable under the HOEL Master Supply Agreement for the financial years ending 31 December 2015, 2016 and 2017 (in the case of the period from the Listing Date, when the agreement will come into force, up to 31 December 2015, the pro-rated portion of the volume and amount shown below) as follows:

2015		2016		2017	
Volume of Supply	Amount of Supply	Volume of Supply	Amount of Supply	Volume of Supply	Amount of Supply
(Tons)	(US\$'000)	(Tons)	(US\$'000)	(Tons)	(US\$'000)
1,467	4,426	1,738	5,610	1,984	6,533

The annual caps have been estimated primarily based on the following factors:

- (1) the historical sales of CTC products by our Group to the HOEL Group;
- (2) the prevailing market price of CTEI Products, taking into account the prices set by competitors and allowances for possible price fluctuations. Our Group currently expects the average selling price of the CTEI Products for the three financial years ending 31 December 2017 to remain at similar level;
- (3) the expected increase in demand by certain companies in the HOEL Group which operate in markets we had not previously sold to starting in the financial year ending 31 December 2015 and continuing into future years; and
- (4) the expected increase in the demand for the CTEI Products. Our Group expects an annual increase of approximately 17% in the volume of the CTEI Products to be supplied to the HOEL Group for each of the two financial years ending 31 December 2017 due to the potential growth of the HOEL Group's business.

LISTING RULES REQUIREMENTS

The Company has aggregated the supply of CTEI Products by the Group to the Remaining CPP Group and to the HOEL Group contemplated under the CPP Master Supply Agreement and the HOEL Master Supply Agreement, respectively, and has treated them as if they were one transaction. On this basis, as the highest of the applicable aggregate percentage ratios calculated with reference to the annual caps in respect of the CPP Master Supply Agreement and the HOEL Master Supply Agreement in aggregate is more than 5% and the annual consideration is more than HK\$10,000,000, such transactions would, upon Listing, and in the absence of the grant of a waiver by the Stock Exchange, be subject to the reporting, annual review, announcement, circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.


Details of the waiver granted together with the views of our Directors (including our independent non-executive Directors) and the Sole Sponsor are set out in this section below.

CONNECTED TRANSACTIONS

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Our Group has entered into the following continuing connected transactions which would be exempt from the reporting, annual review, announcement, circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Trademark Licence Agreement

Our Company has entered into a trademark licence agreement (the “**Trademark Licence Agreement**”) with CTII on 22 July 2014, which was registered on 27 March 2015, pursuant to which CTII agreed to grant to our Company the non-exclusive right to use the trademark “” owned by CTII at nil consideration. For details of the licenced trademark, please refer to the section headed “General Information – Further Information About The Business Of Our Company – Intellectual property” in Appendix III to this listing document. Due to CPG's near majority shareholding in CPF, which directly or indirectly through its wholly-owned subsidiary will be interested in 10% or more of the issued voting share capital of our Company after the Listing Date, our Company and CPG have agreed to treat CPG as a substantial shareholder of our Company for the purposes of Chapter 14A of the Listing Rules upon Listing. As CPG is the ultimate beneficial owner of the entire issued share capital of CTII, CTII will be regarded as a connected person of our Company under the Listing Rules.

The Trademark Licence Agreement has a perpetual term from 22 July 2014 and may be terminated (i) by either party giving the other party six months' prior notice in writing; or (ii) by CTII giving our Company one month's prior notice in writing in the event of a breach of any terms of the Trademark Licence Agreement by our Company.

Pursuant to Rule 14A.76(1) of the Listing Rules, as no consideration is payable by our Company to CTII under the Trademark Licence Agreement and the transactions thereunder are conducted on normal commercial terms, such transactions will constitute continuing connected transactions which are exempt from the reporting, annual review, announcement, circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

In respect of the transactions under the CPP Master Supply Agreement and the HOEL Master Supply Agreement, as the highest of the applicable aggregate percentage ratios calculated with reference to the annual caps in respect of the CPP Master Supply Agreement and the HOEL Master Supply Agreement in aggregate is more than 5% and the annual consideration is more than HK\$10,000,000, such transactions would, upon Listing, and in the absence of the grant of a waiver by the Stock Exchange, be subject to the reporting, annual review, announcement, circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

As described above, our Company expects that the non-exempt continuing connected transactions under the CPP Master Supply Agreement and the HOEL Master Supply Agreement to be carried out on a continuing basis and to extend over a period of time. Our Directors therefore consider that strict compliance with the announcement, circular and shareholders' approval requirements under the Listing Rules would be impractical, unduly burdensome and would impose unnecessary administrative costs on our Company.

Accordingly, we have applied, and the Stock Exchange has granted to us, a waiver from compliance with the announcement, circular and shareholders' approval requirements of the Listing Rules in respect of the above non-exempt continuing connected transactions.

Our Company will, however, comply at all times with the applicable provisions under Rules 14A.34, 14A.49 to 14A.59 and 14A.71(6) of the Listing Rules in respect of the non-exempt continuing connected transactions.

In the event of future amendments to the Listing Rules imposing more stringent requirements than those as of the date of this listing document on the continuing connected transactions referred to in this section, our Company will take immediate steps to ensure compliance with such new requirements.

CONFIRMATION FROM OUR DIRECTORS

Our Directors, including the independent non-executive Directors, are of the opinion that (i) the non-exempt continuing connected transactions described above have been and shall be entered into in our ordinary and usual course of business, on normal commercial terms or better, are fair and reasonable and are in the interests of our Company and our Shareholders as a whole and (ii) the proposed annual caps for the non-exempt continuing connected transactions are fair and reasonable and are in the interests of our Company and our Shareholders as a whole.

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor is of the view that (i) the non-exempt continuing connected transactions for which waiver is sought have been and shall be entered into in our ordinary and usual course of business, on normal commercial terms or better and are fair and reasonable and in the interests of our Company and our Shareholders as a whole and (ii) the proposed annual caps for the non-exempt continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board will consist of eight Directors, comprising four executive Directors, one non-executive Director and three independent non-executive Directors. Our Board is responsible and has general powers for the management and conduct of our business. The following table sets out certain information concerning our Directors:

Name	Age	Position in our Company	Date of joining our Group	Roles and Responsibilities	Date of appointment
Mr. Soopakij Chearavanont . .	51	Chairman and Non-executive Director	15 September 2014	Formulation of the overall corporate strategies and business development of our Group	15 September 2014
Mr. Thirayut Phityaisarakul . .	73	Executive Director and Chief Executive Officer (Biochemical Division)	12 February 1988 ⁽¹⁾	Formulation of our Group's overall corporate and business strategies and overseeing the management and implementation of the corporate and business strategies	15 September 2014
Mr. Thanakorn Seriburi	69	Executive Director and Chief Executive Officer (Industrial Division)	12 February 1988	Formulation of our Group's overall corporate and business strategies and overseeing the management and implementation of the corporate and business strategies	12 February 1988
Mr. Nopadol Chiaravanont . .	54	Executive Director	22 July 2014	Formulation of our Group's overall corporate and business strategies and overseeing the management and implementation of the corporate and business strategies	22 July 2014

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position in our Company	Date of joining our Group	Roles and Responsibilities	Date of appointment
Mr. Yao Minpu (姚民仆) . . .	64	Executive Director	9 October 2009	Formulation of our Group's overall corporate and business strategies and overseeing the management and implementation of the corporate and business strategies	15 September 2014
Mr. Surasak Rounroengrom. .	61	Independent Non-executive Director	15 September 2014	Supervising and providing independent opinion and advice to our Board of Directors	15 September 2014
Mr. Cheng Yuk Wo (鄭毓和)	54	Independent Non-executive Director	15 September 2014	Supervising and providing independent opinion and advice to our Board of Directors	15 September 2014
Mr. Ko Ming Tung, Edward (高明東)	54	Independent Non-executive Director	15 September 2014	Supervising and providing independent opinion and advice to our Board of Directors	15 September 2014

Note:

- (1) Mr. Thirayut Phityaisarakul subsequently resigned as a Director in May 1993 and re-joined our Group as a director of two subsidiaries of our Company on 21 April 2008.

DIRECTORS AND SENIOR MANAGEMENT

Chairman and Non-executive Director

Mr. Soopakij Chearavanont, aged 51, was appointed as the Chairman and a Non-executive Director on 15 September 2014. He is also an executive director and vice chairman of CPP. He obtained a Bachelor of Science degree in the College of Business and Public Administration of New York University, United States in October 1987 and has extensive multinational investment and management experience in various industries. Mr. Chearavanont is also the chairman of C.P. Lotus Corporation (stock code: 121) since April 2000 and a non-executive director of Ping An Insurance (Group) Company of China, Ltd. (stock code: 2318) since June 2013, both of which are companies listed on the Main Board of the Stock Exchange and a director of True Corporation Public Company Limited, Siam Makro Public Company Limited and CP ALL Public Company Limited, all of which are companies listed on The Stock Exchange of Thailand. He is also the chairman of True Visions Public Company Limited. Mr. Soopakij Chearavanont is cousins with Mr. Nopadol Chiaravanont, our executive Director.

Executive Directors

Mr. Thirayut Phityaisarakul, aged 73, was appointed as the Chief Executive Officer (Biochemical Division) and an Executive Director on 15 September 2014. Mr. Phityaisarakul was a director of our Company from February 1988 to May 1993. For the period from February 1988 to September 2005, he was an executive director of CPP. Mr. Phityaisarakul was re-appointed as an executive director and executive vice chairman of CPP in September 2008 but he has resigned from office in October 2008 due to other work commitments. Mr. Phityaisarakul is also a director of two subsidiaries of our Company. Mr. Phityaisarakul is also currently the vice chairman of the Charoen Pokphand Group. Mr. Phityaisarakul is the brother of Mr. Seriburi, our executive Director and Chief Executive Officer (Industrial Division). Mr. Phityaisarakul was publicly censured by the Listing Committee on 3 May 1999. For details, see the details set out below after the biography of Mr. Thanakorn Seriburi.

Mr. Thanakorn Seriburi, aged 69, was appointed as a Director on 12 February 1988 and was designated as the Chief Executive Officer (Industrial Division) and an Executive Director on 15 September 2014. He has been an executive director and chief executive officer (Industrial Division) of CPP since 1988 and 2010, respectively. Mr. Seriburi is also the chairman and chief executive officer of the automotive industrial business group (China) of the Charoen Pokphand Group. He has been working on investment projects for the Charoen Pokphand Group in the PRC since 1979 and has extensive experience in industrial operations in Asia. Furthermore, Mr. Seriburi is the Chairman of Zheng Xin Bank Co., Ltd., a licensed bank in China. Mr. Seriburi is the brother of Mr. Phityaisarakul, our executive Director and Chief Executive Officer (Biochemical Division). Mr. Seriburi was also publicly censured by the Listing Committee on 3 May 1999.

DIRECTORS AND SENIOR MANAGEMENT

At a disciplinary hearing held on 29 September 1998 and subsequently at a disciplinary (review) hearing held on 23 March 1999, the Listing Committee concluded a disciplinary hearing into the conduct of CPP and the CPP Directors at that time in connection with certain connected transactions in relation to three wholly-owned subsidiaries of CPP which advanced loans of approximately US\$16.6 million to a joint venture enterprise (the “JV”) in the PRC. The JV is a 50/50 PRC joint venture in which the foreign joint venture partner is a company ultimately controlled by two of the other CPP Directors at that time and hence each a “connected person” for the purposes of the Listing Rules. The amount of the loans advanced represents approximately 10.9% of the audited net tangible assets of CPP as at 31 December 1997. These two connected persons, who were ultimately shareholders of the JV, together indirectly held shares representing 50.7% of the issued share capital of CPP at that time. CPP failed to obtain approval from its minority shareholders for such connected transactions as required under Chapter 14 of the Listing Rules (as they stood at that time).

The public censure announcement published by the Stock Exchange on 3 May 1999 stated that: ‘the Listing Committee of the Disciplinary (Review) Hearing was extremely dissatisfied and critical with the conduct of two of the CPP Directors at that time including Mr. Phityaisarakul and was gravely concerned that although they knew of the breach earlier, they took a positive decision to conceal the information concerning the financial position of CPP from their fellow directors.’

Following the disciplinary hearing and the disciplinary (review) hearing, CPP was publicly censured by the Listing Committee for breaching certain connected transaction rules as provided for in Chapter 14 of the Listing Rules (as they stood at that time). Further, each of the then executive directors of CPP, including Mr. Phityaisarakul and Mr. Seriburi, was publicly censured by the Listing Committee for acting in breach of (i) his undertaking to comply to the best of his ability with the Listing Rules (as they stood at that time) and to use his best endeavours to procure that CPP would so comply; and (ii) his undertaking to procure that CPP complies with the provisions in the listing agreement between CPP and the Stock Exchange which subsisted at that time and which set out the obligation of an issuer to keep the Stock Exchange and the issuer’s shareholders informed of any information relating to the group (being the issuer and its subsidiaries) which (a) was necessary to enable them and the public to appraise the position of the group; (b) was necessary to avoid the establishment of a false market in its securities; and (c) might reasonably be expected materially to affect market activity in and the price of its securities, and, in particular, in failing to inform the Listing Division of the Stock Exchange, CPP Shareholders and the investing public in respect of the connected transactions until approximately two months after they knew of the breach of the Listing Rules.

Mr. Nopadol Chiaravanont, aged 54, was appointed as a Director on 22 July 2014 and was designated as an Executive Director on 15 September 2014. Mr. Chiaravanont is also the assistant to chairman of Charoen Pokphand Group, vice chairman of the automotive and industrial business group (China) of the Charoen Pokphand Group and a director of CPPC Public Co., Ltd. Mr. Nopadol Chiaravanont is cousins with Mr. Soopakij Chearavanont, our Chairman and a non-executive Director.

DIRECTORS AND SENIOR MANAGEMENT

In a debt restructuring agreement made on 29 September 2003 (as supplemented by an amendment dated 11 April 2007) in respect of claims under facility agreements owed by a certain Thai company (of which Mr. Nopadol Chiaravanont was a director from 5 September 1987 until 15 January 1990) to a certain Thai creditor, a debt restructuring under the terms and conditions specified in that agreement was agreed. Under the debt restructuring agreement (as so supplemented), it was agreed, amongst other things, that:

- (a) the Thai company shall pay the amount of Baht 125,000,000 to discharge its original indebtedness in the amount of Baht 490,070,277.52; and
- (b) Mr. Nopadol Chiaravanont, who was a party to the agreement and, as one of the guarantors of the Thai company's liabilities under its original indebtedness, agreed to be bound as a joint obligor, shall pay the Thai creditor the amount of Baht 800,000.

The aggregate amount to be paid by the Thai company and the amount to be paid by Mr. Nopadol Chiaravanont were fully paid. Mr. Nopadol Chiaravanont confirms that he has no outstanding liability under the debt restructuring agreement (as so supplemented).

Mr. Yao Minpu (姚民仆), aged 64, was appointed as an Executive Director on 15 September 2014 and he has been a director of Pucheng Chia Tai and Zhumadian Huazhong since October 2009. Mr. Yao has also been an executive director of Zhumadian Huazheng Property Co. Ltd.* (駐馬店市華正置業有限公司) since December 2013. Mr. Yao was a manager of Beijing Dafa Chia Tai Co. Ltd in 1993 and was the senior vice president of Chia Tai Group Agro-Industry and Food Business (China) in September 2010. He was also the chairman of China Animal Agriculture Association (Swine division) from 2003 to 2007, a senior research consultant (高級研修項目顧問) of Agriculture and Business Administration (農業工商管理) at the School of Continuing Education of Tsinghua University from 2007 to 2008. He was a committee member of Micro-organism Environmental Resources Control Laboratory* (微生物環境資源過程控制校企聯合實驗室專家組) of Beijing Institute of Technology in 2011, a part-time professor of School of Chemical Engineering & Environment of Beijing Institute of Technology in 2013, and is currently a committee member of the China Institute for Rural Studies (中國農村研究院學術委員會) at Tsinghua University. Mr. Yao had also been awarded with the China Animal Agriculture Association Outstanding Contribution Awards (中國畜牧業協會突出貢獻獎).

Independent Non-executive Directors

Mr. Surasak Rounroengrom, aged 61, was appointed as an Independent Non-executive Director on 15 September 2014. Mr. Rounroengrom obtained a Bachelor of Science degree from Royal Thai Naval Academy, Thailand, in February 1977. Throughout his career, Mr. Rounroengrom held many positions in the Royal Thai Navy, including Director General of the Naval Intelligence Department from October 2007 to September 2009, Deputy Chief of Staff of the Royal Thai Navy from October 2009 to September 2010, special advisor from October 2010 to September 2011 and the 48th Commander-in-Chief of the Royal Thai Navy from 1 October 2011 to 30 September 2013, when he retired from the Thai armed forces. He was the Supreme Commander Advisor from January 2014 to September 2014 and has been a National Legislative Assembly Member since the end of July 2014.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Cheng Yuk Wo (鄭毓和), aged 54, was appointed as an Independent Non-executive Director on 15 September 2014. Mr. Cheng obtained a Master of Science (Economics) degree, majoring in Accounting and Finance from London School of Economics and Political Science, England in August 1984 and a Bachelor of Arts (Honours) degree in Accounting from University of Kent, England in July 1983. He is a Fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants, and a member of the Institute of Chartered Professional Accountants of Canada. Mr. Cheng has over 20 years' of expertise in accounting, finance and corporate advisory services.

Mr. Cheng is currently an independent non-executive director of C.P. Lotus Corporation (stock code: 121), CSI Properties Limited (stock code: 497), Chong Hing Bank Limited (stock code: 1111), HKC (Holdings) Limited (stock code: 190), Goldbond Group Holdings Limited (stock code: 172), CPMC Holdings Limited (stock code: 906), Imagi International Holdings Limited (stock code: 585), Liu Chong Hing Investment Limited (stock code: 194) and Top Spring International Holdings Limited (stock code: 3688), the abovementioned companies are listed on the Main Board of the Stock Exchange. Mr. Cheng was an executive director of 21 Holdings Limited (stock code: 1003) from September 2007 to December 2013, which is a company listed on the Main Board of the Stock Exchange and he was also an independent non-executive director of South China Land Limited (stock code: 8155) from September 2004 to May 2013, which is listed on the GEM Board of the Stock Exchange.

Mr. Ko Ming Tung, Edward (高明東), aged 54, was appointed as an Independent Non-executive Director on 15 September 2014. Mr. Ko obtained an external Bachelor of Laws degree from the University of London in the United Kingdom in August 1986 and is a member of The Law Society of Hong Kong. Mr. Ko is the principal of Messrs. Edward Ko & Company and has been practicing as a solicitor in Hong Kong for more than 22 years.

Mr. Ko is currently an independent non-executive director of Sinofert Holdings Limited (stock code: 297), Wai Chun Group Holdings Limited (stock code: 1013) and EverChina International Holdings Company Limited (stock code: 202), and a non-executive director of Harmonic Strait Financial Holdings Limited (stock code: 33), all of which are companies listed on the Main Board of the Stock Exchange.

Save as disclosed in this listing document, each of our Directors (i) did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management, substantial shareholders or the controlling shareholder of our Company as at the Latest Practicable Date; and (iii) did not hold any other directorships in listed public companies in the three years prior to the date of this listing document. As at the Latest Practicable Date, save as disclosed in this listing document, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed in this listing document, there is no other information in respect of our Directors that is discloseable pursuant to Rules 13.51(2)(a) to (v) of the Listing Rules and there is no other matter that needs to be brought to the attention of our Shareholders.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT OF OUR COMPANY

The Chief Executive Officers and the senior management of our Company are responsible for the day-to-day management of our business. Certain information relating to the Chief Executive Officers is set out in “– Board of Directors” above.

The following table sets out certain information concerning the senior management of our Company:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Mr. Prasit Kingsuwanaphong	44	General Manager of Pucheng Chia Tai
Mr. Lau See Tiak (劉詩哲)	47	Financial Controller of Pucheng Chia Tai
Mr. Chawalit Na Muangtoun	48	Director and General Manager of Zhumadian Huazhong
Mr. Fang Xiaowu (方孝武)	45	Financial Controller of Zhumadian Huazhong

Mr. Prasit Kingsuwanaphong, aged 44, is the General Manager of Pucheng Chia Tai. Mr. Kingsuwanaphong joined Zhumadian Huazhong in 1998. He obtained a Bachelor degree in Agriculture from Chiang Mai University in Thailand in February 1993 and a Master of Business Administration degree from Ramkhamhaeng University in Thailand in November 2008.

Mr. Lau See Tiak (劉詩哲), aged 47, has been the Financial Controller of Pucheng Chia Tai since September 2004. Mr. Lau was the financial controller of Zhumadian Huazhong in December 2000 and he was the financial controller of Quanzhou Daquan L-Lysine Co., Ltd. in September 2003. He is a member of Malaysian Institute of Accountants, The Chartered Institute of Management Accountants (the United Kingdom) and CPA Australia.

Mr. Chawalit Na Muangtoun, aged 48, has been the General Manager of Zhumadian Huazhong since November 2012, and a director of Zhumadian Huazhong since January 2015. Mr. Na Muangtoun has more than 14 years of experiences in financial management. He obtained a Bachelor degree in Accounting from Payap University in Thailand in October 1989. Mr. Na Muangtoun was the finance manager of Urumqi Chia Tai Animal Husbandry Co., Ltd. in August 1992 and he was the president of Xianghe Chia Tai Co., Ltd from April 2005 to May 2008.

Mr. Fang Xiaowu (方孝武), aged 45, has been the Financial Controller of Zhumadian Huazhong since April 2009. He obtained professional diploma in financial management from North University of China (華北工學院專科學校) in July 1995, and is a member of The Chinese Institute of Certified Public Accountants and a Certified Tax Manage Auditor of The Chinese Institute of Certified Financial Planner. Mr. Fang was an accountant of Jiangsu Huaiyin Chia Tai Co., Ltd. from October 2000 to February 2005 and he subsequently joined Chia Tai Group Agro-Industry Business (China) in March 2005 as an internal auditor.

DIRECTORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Ms. Man Sau Ying, *ACIS, ACS*, aged 43, was appointed as the secretary of our Company on 15 September 2014. Ms. Man obtained a Bachelor of Arts degree in Chinese and Translation from The Chinese University of Hong Kong in December 1994 and an external Bachelor of Laws degree from Manchester Metropolitan University, England in July 2008. She is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom since September 2000. She has over 15 years of experience in the company secretarial field.

BOARD COMMITTEES

Audit Committee

Our Company has established an audit committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to oversee the financial reporting process and internal control procedures of our Group, to review the financial information of our Group and to consider issues relating to the external auditors.

The audit committee consists of three directors of our Company. The members of the audit committee are:

Mr. Cheng Yuk Wo (*Chairman*)

Mr. Surasak Rounroengrom

Mr. Ko Ming Tung, Edward

Remuneration Committee

Our Company has established a remuneration committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to make recommendations to the Board on our Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

The remuneration committee consists of four directors of our Company. The members of the remuneration committee are:

Mr. Cheng Yuk Wo (*Chairman*)

Mr. Thanakorn Seriburi

Mr. Surasak Rounroengrom

Mr. Ko Ming Tung, Edward

DIRECTORS AND SENIOR MANAGEMENT

Nomination Committee

Our Company has established a nomination committee in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to review the structure, size and composition of the Board, assess the independence of the independent non-executive directors and make recommendations to the Board on the appointment and re-appointment of directors.

The nomination committee consists of three directors of our Company. The members of the nomination committee are:

Mr. Soopakij Chearavanont (*Chairman*)

Mr. Surasak Rounroengrom

Mr. Cheng Yuk Wo

DIRECTORS' REMUNERATION AND REMUNERATION OF FIVE HIGHEST PAID INDIVIDUALS

Our Directors receive remuneration in the form of fees, salaries, bonuses, other allowances and benefits in kind, including our Company's contribution to the pension scheme on their behalf. Our policy concerning the remuneration of our Directors is that the amount of remuneration is determined on the basis of the relevant Director's experience, responsibility, performance and the time devoted to our business.

The aggregate amount of remuneration which was paid to one of our Directors (the other Directors did not receive remuneration from our Group) for each of the two years ended 31 December 2012 and 2013 were approximately USD532,000 and USD532,000, respectively. The aggregate amount of remuneration which was paid to three of our Directors (the other Directors did not receive remuneration from our Group) for the year ended 31 December 2014 was approximately USD801,000.

Under the current arrangements, the aggregate remuneration and benefits in kind payable to our Directors for the year ending 31 December 2015 are estimated to be approximately USD878,000.

The five highest paid individuals for each of the three years ended 31 December 2012, 2013 and 2014 included one Director. The aggregate amount of remuneration (including salaries, allowances and benefits in kind) or any bonuses paid by our Group to the remaining four non-directors were approximately USD509,000, USD687,000 and USD882,000, respectively.

DIRECTORS AND SENIOR MANAGEMENT

In respect of each of the three years ended 31 December 2014, no remuneration was paid to our Directors or the five highest paid individuals as an inducement to join or upon joining our Group. No compensation was paid to, or receivable by, our Directors or past directors of our Company or the five highest paid individuals for the loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors has waived any emoluments.

For further information on the service agreements entered into between our Company and our Directors, please refer to “Appendix III – General Information” to this listing document.

COMPLIANCE ADVISER

Our Company has appointed Guotai Junan Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules to provide advisory services to our Company. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company when consulted by us in any of the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated;
- (c) where our Group’s business activities, developments or results deviate from any forecast, estimate or other information in this listing document; and
- (d) where the Stock Exchange makes an inquiry regarding unusual movements in the price or trading volume of our Ordinary Shares, the possible development of a false market in our Ordinary Shares or any other matters.

The terms of the appointment will commence on the Listing Date and will end on the date on which our Company distributes our annual report in respect of the financial results for the first full financial year commencing after the Listing Date.

SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors, immediately following the completion of the Spin-off and the Distribution, the following persons (other than the Directors) will have an interest and/or short position in our Ordinary Shares (including underlying Shares) that would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

Name	Capacity	Interests in number of Ordinary Shares	Approximate percentage of issued Ordinary Shares (%)
CPG ⁽¹⁾	Interest in a controlled corporation	127,748,147	53.1
CPF ⁽²⁾	Beneficial owner and interest in a controlled corporation	127,748,147	53.1
CPFI ⁽²⁾	Beneficial owner	115,137,370	47.8
ITOCHU Corporation ⁽³⁾	Beneficial owner	60,179,593	25.0

Notes:

- (1) CPG will hold approximately 53.1% interest in our Ordinary Shares in issue upon completion of the Spin-off and the Distribution by virtue of its interest in approximately 39.1% of the issued share capital of CPF.
- (2) CPF will hold approximately 53.1% interest in our Ordinary Shares in issue upon completion of the Spin-off and the Distribution, which will include (i) 12,610,777 Preference Shares beneficially owned by CPF and (ii) 115,137,370 Ordinary Shares beneficially owned by its wholly-owned subsidiary, CPFI.
- (3) ITOCHU Corporation will hold 25% interest in our Ordinary Shares in issue by virtue of its direct holding of 60,179,593 Ordinary Shares.

Save as disclosed above, none of our Directors is aware of any other person who will, immediately following the completion of the Spin-off and the Distribution, have an interest or short position in our Ordinary Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

SHARE CAPITAL

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of our authorised and issued share capital immediately upon Listing:

	<u>US\$</u>
Authorised Shares	
787,389,223 Ordinary Shares of US\$0.10 each	78,738,922.30
12,610,777 Preference Shares of US\$0.10 each	1,261,077.70
Total authorised share capital	<u>80,000,000.00</u>
Issued share capital as at the date of this listing document	
11,952,000 Ordinary Shares of US\$0.10 each	1,195,200.00
Shares to be issued pursuant to the Capitalisation Issue	
up to 228,766,372 Ordinary Shares of US\$0.10 each	up to 22,876,637.20
12,610,777 Preference Shares of US\$0.10 each	1,261,077.70
Total issued Shares upon Listing	
up to 240,718,372 Ordinary Shares of US\$0.10 each	up to 24,071,837.20
12,610,777 Preference Shares of US\$0.10 each	1,261,077.70
Total issued share capital upon Listing	<u>up to 25,332,914.90</u>

ASSUMPTIONS

The above table assumes that the Spin-off and the Listing become unconditional but does not take into account any Ordinary Shares which may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme and our Ordinary Shares which may be issued or repurchased pursuant to the general mandate granted to our Directors to issue or repurchase Ordinary Shares as described below.

RANKING

Our Ordinary Shares are ordinary shares in the share capital of our Company and will rank equally in all respects with each other, and will qualify for all dividends, income and other distributions declared, made or paid and any other rights and benefits attaching or accruing to our Ordinary Shares following the completion of the Spin-off.

Our Preference Shares are restricted voting convertible preference shares in the capital of the Company and will rank equally in all respects with each other, and will qualify for all dividends, income and other distributions declared, made or paid and other rights and benefits attaching or accruing in our Ordinary Shares following the completion of the Spin-off on the basis of the number of Ordinary Share(s) into which each Preference Share may be converted and on an as converted basis, but do not entitle Preference Shareholders to vote in all circumstances at general meetings of the Company. The conversion of the Preference Share(s) into Ordinary Share(s) is subject to the condition that after such conversion, our Company can continue to fulfil the public float requirement under the Listing Rules.

SHARE CAPITAL

PREFERENCE SHARES

Each Preference Share shall be convertible into such number of Ordinary Share(s) being one (1) multiplied by the conversion rate. The conversion rate shall be determined by dividing the distribution value of each Preference Share by the conversion price. The initial conversion price is the distribution value, and the initial conversion rate is one (1) Preference Share to one (1) Ordinary Share. The conversion price is subject to adjustment upon the occurrence of certain prescribed events (including consolidation, subdivision or reclassification of shares, capitalization of profits or reserves, capital distributions, rights issues of Ordinary Shares or options over Ordinary Shares, and issues of convertible securities with consideration at less than the conversion price), but provided that the conversion price shall not be less than the then subsisting nominal value of an Ordinary Share into which such Preference Share is being converted. If any adjustment is required to be made to the conversion price, an announcement will be made by our Company. Please refer to the section headed “The Distribution and Spin-off” in this listing document for more background information on our Preference Shares and the sub-section headed “Summary of the Constitution of the Company and Bermuda Company Law – Bye-laws” in Appendix II to this listing document for a summary of the principal terms of the Preference Shares.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, brief details of which are set out in the sub-section headed “General Information – Share Option Scheme” in Appendix III to this listing document.

GENERAL MANDATE TO ISSUE ORDINARY SHARES

Our Directors have been granted a general mandate to allot, issue and deal with Ordinary Shares in the share capital of our Company not exceeding the sum of:

- (a) 20% of the number of Ordinary Shares in issue immediately following the completion of the Spin-off and the Listing; and
- (b) the number of Ordinary Shares bought back by our Company (if any) pursuant to the general mandate to purchase Ordinary Shares granted to our Directors referred to below.

Our Directors may, in addition to the Ordinary Shares which they are authorised to issue under this general mandate, allot, issue or deal with Ordinary Shares under a rights issue, scrip dividend scheme or similar arrangement, or on the exercise of any option granted or which may be granted under the Share Option Scheme.

This mandate will expire:

- (i) at the conclusion of our Company’s next annual general meeting; or

SHARE CAPITAL

- (ii) at the expiry of the period within which our Company is required by any applicable laws or the Bye-laws to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of our Ordinary Shareholders in general meeting,

whichever is the earliest.

Further information on this general mandate is set out in the section headed “General Information – Further Information About Our Company – Written resolutions of our sole shareholder passed on 5 June 2015” in Appendix III to this listing document.

GENERAL MANDATE TO PURCHASE ORDINARY SHARES

Our Directors have been granted a general mandate to exercise all the powers of our Company to purchase such number of Ordinary Shares as shall not exceed 10% of the number of Ordinary Shares in issue immediately following the completion of the Spin-off and the Listing.

This mandate only relates to purchases made on the Stock Exchange or on any other stock exchange on which our Ordinary Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules.

This mandate will expire:

- (i) at the conclusion of our Company’s next annual general meeting; or
- (ii) at the expiry of the period within which our Company is required by any applicable laws or the Bye-laws to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of our Ordinary Shareholders in general meeting,

whichever is earliest.

Further information on this general mandate is set out in the section headed “General Information – Further Information About Our Company – Written resolutions of our sole shareholder passed on 5 June 2015” in Appendix III to this listing document.

UNDERTAKINGS BY OUR COMPANY

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that our Company will not issue any further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) or enter into any agreement to such issue within six months from the date on which dealings in our Ordinary Shares commence on the Stock Exchange (whether or not such issues of Shares or securities will be completed within six months from the commencement of dealing), except in the circumstances provided under Rule 10.08 of the Listing Rules.

SHARE CAPITAL

UNDERTAKINGS BY OUR CONTROLLING SHAREHOLDER

Pursuant to Rule 10.07 of the Listing Rules, our Controlling Shareholder has undertaken with our Company and the Stock Exchange that it shall not and shall procure that the relevant registered holder(s) shall not:

- (a) in the period commencing on the date by reference to which disclosure of its shareholding is made in this listing document and ending on the date which is six months from the Listing Date (the “**First Six-Month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which it/he/she is shown by this listing document to be the beneficial owner(s); and
- (b) in the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholder would cease to be the controlling shareholder of our Company, i.e. it ceases to control 30% or more of the voting power at general meetings of our Company.

Further, our Controlling Shareholder has undertaken with our Company and the Stock Exchange that within a period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this listing document and ending on the date on which is the first anniversary of the Listing Date, it shall:

- (a) when it pledges or charges any securities of our Company beneficially owned by it in favour of an authorised institution (as defined under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and
- (b) when it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities of our Company will be disposed of, immediately inform our Company of such indications.

FINANCIAL INFORMATION

The following discussion and analysis of our business, financial condition and results of operations is based on and should be read in conjunction with our combined financial information as at and for each of the years ended 31 December 2012, 2013, and 2014, including the notes thereto, as set forth in “Appendix I – Accountants’ Report” and other financial information appearing elsewhere in this listing document. Our combined financial information has been prepared in accordance with IFRS. For the purposes of this section and except if stated otherwise, references to “financial year 2012,” “financial year 2013” and “financial year 2014” are references to our financial years ended 31 December 2012, 2013 and 2014, respectively.

The following discussion and discussions in other parts of this listing document contain forward-looking statements that involve risks and uncertainties. We caution you that our business and financial performance are subject to substantial risks and uncertainties. Our future results could differ materially from those projected in the forward-looking statements. In evaluating our business, you should carefully consider the information provided under the caption “Risk Factors”.

OVERVIEW

Our Group is involved in the biochemical business and the industrial business. We are one of the leading CTC producers globally, and have interests in a sales distributor for Caterpillar Products with its service territory covering the western part of the PRC (excluding the Xinjiang Uyghur Autonomous Region) and in a major motorcycle carburetors manufacturer in the PRC. The biochemical business, which focuses on the manufacture and sale of CTC products, commenced in 1995 and is conducted through subsidiaries which are held by two wholly-owned subsidiaries of our Company, namely Chia Tai Pucheng and Chia Tai Huazhong. The industrial business, which focuses on the trading of Caterpillar Products in the western part of the PRC (excluding the Xinjiang Uyghur Autonomous Region) and the manufacture and sale of carburetors and automotive parts, commenced in 1992 and is conducted through a joint venture and an associated company of our Company, namely ECI Metro Investment and Zhanjiang Deni, respectively.

We have the following two main businesses:

Biochemical Business

We are engaged in the manufacturing, marketing and sale of high-quality CTC Premix and CTC HCL products in the PRC and overseas markets such as the United States and Europe. Our CTC products are used as feed additives to promote healthy growth of livestock, prevent or cure animal diseases and improve overall feed efficiency. We sell directly to end-users and to trading companies through an extensive sales network. Our biochemical business accounted for all of our combined revenue in each of the financial years 2012, 2013 and 2014. See “Business – Our Biochemical Business”. Our biochemical business contributed to approximately 83.1%, 44.3%, and 42.2% of our profit attributable to shareholder in the financial years 2012, 2013 and 2014, respectively.

FINANCIAL INFORMATION

Industrial Business

Through a joint venture and an associated company, we engage in two distinct categories of industrial businesses. We hold a 50%-equity stake in ECI Metro Investment, a joint venture that is a sales distributor for Caterpillar Products with its service territory covering the western part of the PRC (excluding the Xinjiang Uyghur Autonomous Region) and is primarily engaged in the sale of Caterpillar Products and the provision of related services. We hold a 28%-equity stake in Zhanjiang Deni, an associated company which primarily engages in the manufacture and sale of carburetors and automotive parts. See “Business – The Industrial Business in which Our Group is Involved”. Our investments in this joint venture and associated company are accounted for under the equity method, hence these entities did not contribute to our combined revenue in the financial years 2012, 2013 and 2014. However, the contributions from our industrial business, conducted by this joint venture and this associated company, represented, in aggregate, approximately 16.9%, 55.7% and 57.8% of our profit attributable to shareholder in the financial years 2012, 2013 and 2014, respectively. See Part B, Note 1(f) to our combined financial information included in “Appendix I – Accountants’ Report”.

These two main businesses constitute our two reportable segments, being the “biochemical operations segment” and the “industrial operations segment”, as reported in Part B, Note 3 to our combined financial information included in “Appendix I – Accountants’ Report”. We also analyse and report revenue on a geographic segment basis, based on the location of our customers. Our main geographical markets on a revenue basis are the PRC, the United States and Asia Pacific (excluding the PRC). The main markets on a revenue basis are detailed in Part B, Note 3(b)(i) to our combined financial information included in the Accountants’ Report set out in “Appendix I – Accountants’ Report”. Revenue from the PRC, the United States and Asia Pacific (excluding the PRC) accounted for 27.3%, 32.2% and 16.2%, respectively, of our revenue for the financial year 2012, 25.1%, 31.1% and 18.7%, respectively, of our revenue for the financial year 2013 and 32.0%, 22.8% and 20.5%, respectively, of our revenue for the financial year 2014. See “Financial Information – Principal Components of Income Statement Items – Revenue” and “Business – Our Biochemical Business – Marketing”.

RECENT DEVELOPMENTS

On 25 December 2014, Zhanjiang Deni entered into an equity interest transfer agreement in relation to its acquisition of 100% of the equity interest in Dongfeng Shiyan from Dongfeng Electronic and 上海東儀汽車貿易有限公司 (Shanghai Dongyi Automobile Trade Co. Ltd.*), which at that time held 99% and 1%, respectively, of the equity interest in Dongfeng Shiyan. The total consideration for the acquisition was RMB58,649,600. The acquisition was completed on 5 January 2015. Following the acquisition, Dongfeng Shiyan became a wholly-owned subsidiary of Zhanjiang Deni.

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Pucheng Chia Tai commenced production of a veterinary medicine called Tylosin at the end of 2014. The current annual production capacity is 100 tons and is expected to be increased to 170 tons by 2016. Tylosin has a similar function as CTC HCL and offers effective treatment of a swine disease called Mycoplasma. Pucheng Chia Tai commenced the commercial sale of Tylosin to its existing customers in January 2015.

Based on our unaudited financial information for the three months ended 31 March 2015, our revenue for that period was approximately US\$25.7 million, representing a 12.4% decrease compared to the same period in 2014, and gross profit was approximately US\$8.7 million, representing a 12.4% decrease compared to the same period in 2014. Our gross profit margin for the three months ended 31 March 2015 was approximately 33.9%, compared to 33.9% for the same period in 2014. The decrease in revenue was primarily due to a decrease in our CTC products sales volume in the United States to our largest customer in the three months ended 31 March 2015, although the purchase orders received from this key U.S. customer increased for each of the second and third quarters of 2015. (Please refer to the section headed “Business – Our Biochemical Business – Customers” in this listing document for further information.)

In addition to a reduction in the revenue of our biochemical business, there was also a reduction in our share of profits of ECI Metro Group in the first three months of 2015 compared to the same period in 2014. This was the result of a downturn in the growth of the industrial sector in the western part of the PRC due to the slowing economic growth in that region. Based on the unaudited financial information of ECI Metro Group for the three months ended 31 March 2015, the revenue of ECI Metro Group for that period was approximately US\$97.8 million, representing a 47.7% decrease compared to the same period in 2014 and gross profit was approximately US\$14.9 million, representing a 44.2% decrease compared to the same period in 2014. Our share of profits for such joint venture in January and February 2015 had in fact contracted to zero, although the performance of this joint venture improved in March 2015 so that, based on our unaudited financial information for the three months ended 31 March 2015, our share of profits for ECI Metro Group for that period was US\$0.5 million. This improvement was a sign of an easing of the industry downturn towards the end of that period. Our Directors believe that the downturn will continue to show signs of easing in the rest of 2015.

The financial information of the Group as at and for the three months ended 31 March 2015 disclosed above is derived from the Company’s unaudited interim financial statements as at and for the three months ended 31 March 2015, which have been reviewed by our reporting accountants in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

As far as our Directors are aware, save as disclosed above, there has not been any adverse material change in the general economic and market conditions, the CTC industry, the construction equipment industry or the automobile industry in which we operate that have materially and adversely affected our results of operations or financial condition since 31 December 2014 (being the date to which our latest combined financial information has been prepared) up to the date of this listing document.

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BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Prior to the Reorganisation, our Company was engaged in the industrial business described above through its investments in ECI Metro Investment and Zhanjiang Deni. Our Company continues to hold equity stakes in this joint venture and associated company after the Reorganisation through wholly-owned subsidiaries and, therefore, still engages in the trading of machinery equipment and manufacturing and sale of automotive parts. As a result of the Reorganisation, our Company acquired from CPP the entire equity interests in both Chia Tai Pucheng and Chia Tai Huazhong, which engage in the manufacturing, marketing and sale of CTC products. These acquisitions are considered as a restructuring of entities under common control for the purpose of the preparation of the combined statements of financial position of the Company and its subsidiaries as at 31 December 2012, 2013 and 2014, the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Company and its subsidiaries for each of the financial years ended 31 December 2012, 2013 and 2014, together with explanatory notes thereto (the “**Financial Information**”). Hence, the Financial Information has been prepared using the merger basis of accounting as if the existing group structure had been in existence throughout the Track Record Period.

The Financial Information has been prepared in accordance with IFRS and under the historical cost basis. Although the Company’s functional currency is the Hong Kong dollar, the Financial Information is presented in USD to conform with the reporting currency of CPP.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our business, results of operations and financial condition are affected by a number of factors, some of which are beyond our control. Our Directors consider that the principal factors affecting our results of operations and financial condition are as follows:

Macroeconomic Factors

Our revenue is primarily generated by our sales of CTC Premix and CTC HCL which are generally used as feed additives for poultry, swine and other livestock to promote animal health and development. Increasing demand for protein (meat consumption per capita) driven by population growth, economic development and urbanisation, is expected to lead to an increase in demand for livestock. The increase in livestock output is expected to cause an increase in demand for animal feed additives. Since our biochemical business contributed to approximately 83.1%, 44.3% and 42.2%, of our profit attributable to shareholder for the financial years 2012, 2013 and 2014, respectively, variations in demand for animal feed additives and, in particular, for our CTC Premix and CTC HCL, would have a direct impact on our revenue and results of operations. According to QYResearch, global demand for feed-grade CTC increased from 92,689 tons in 2010 to 109,676 tons in 2014. For additional information on the CTC industry, please refer to the section headed “Industry Overview – CTC Industry”.

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Price Fluctuations of CTC Products

Over the Track Record Period, most of our revenue was generated by sales of our CTC products. Our results of operations, therefore, are directly impacted by the market prices of CTC Premix and CTC HCL, which are subject to fluctuations. Our Directors expect these fluctuations to result from a number of factors, such as the overall supply and demand in the CTC market, global meat consumption, CTC product production capacities, utilisation rates of production capacities, foreign exchange rates, consumer preferences and continued industrialisation of meat production. According to QYResearch, the global market price of feed-grade CTC products increased from RMB13,426 (US\$2,155)⁽¹⁾ per ton in 2012 to RMB16,045 (US\$2,644)⁽²⁾ per ton in 2014. The average realised selling price of our CTC Premix increased by approximately 3.0% in the financial year 2013 but returned to approximately the same level as in the financial year 2012 in 2014. For additional information on the CTC product industry, please refer to the section headed “Industry Overview – CTC Industry”.

Product Mix

Over the Track Record Period, sales of our CTC Premix represented from 79.7% to 80.8% of our revenue. The remainder of our revenue was principally derived from sales of our CTC HCL. The mix of products that we sell affects our revenue and profitability because our products carry different prices and associated costs. Over the Track Record Period, the gross margin of our CTC Premix was generally higher than the gross margin of our CTC HCL. We have experienced, and expect to continue to experience different growth rates for our products due to diverse reasons such as the change of regulatory requirements, consumer demand and preference across geographical regions. Market prices of both CTC Premix and CTC HCL also vary depending on geographical markets, due to a number of factors such as market penetration of CTC Premix products and expenses associated with local regulatory environments and standards. Over the Track Record Period, for instance, market prices for the CTC Premix and CTC HCL we sold, were higher in the United States than in the other main markets where we sell our products. Consequently, fluctuations in CTC Premix and CTC HCL market prices and variations in our product mix by type and different geographical markets have and will have an impact on our revenue and profitability.

(1) Calculated using the RMB to USD rate as at 31 December 2012 published by the U.S. Federal Reserve Bank (RMB6.2301:US\$1.00).

(2) Calculated using the RMB to USD rate as at 31 December 2014 published by the U.S. Federal Reserve Bank (RMB6.2046:US\$1.00).

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Competition

Most of the production capacity of CTC Premix is concentrated in China. According to QYResearch, global feed-grade CTC production capacity was 102,200 tons in 2012, 112,200 tons in 2013, and 117,200 tons in 2014, and is expected to be 117,400 tons in 2015, 120,400 tons in 2016, and 122,400 tons in 2017. According to QYResearch, global capacity utilisation rates were 93.24%, 91.73% and 93.58% for 2012, 2013 and 2014, respectively, and is expected to be 95.05% in 2015. Some of our CTC products are similar to those provided by other market players. In addition to being focused on the quality of CTC products, our customers are also price sensitive with respect to such products. Price competition between us and our main competitors, particularly with the expected increase in production capacities, could cause downward pressure on market prices and could therefore affect our prices, utilisation rates, sales volumes, business, financial condition and results of operations. For further information on our competitive environment, see “Business – Our Biochemical Business – Competition”.

Prices of Raw Materials Used for Producing our CTC Products

The main component of our cost of sales is corn starch. The aggregate cost of materials, primarily corn starch, yeast, peanut meal and soybean meal, and therefore our results from operations are affected by movements in the prices of such materials. The Company sources all of these raw materials externally. See “Business – Raw Materials and Suppliers”.

The cost of raw materials used generally correlates to the market prices of such materials and, principally, corn starch. We seek to secure reliable and cost-efficient sources of raw materials from a number of suppliers with which we have long-standing relationships, although we purchase corn starch and other raw materials on a spot basis. We continuously inspect the quality of the raw materials we source and also monitor the market for other sources of supply that could be more cost efficient.

Increases in the cost of raw materials have historically been partially mitigated by increases in the selling prices of our products to customers. Cost of raw materials used represented 37.1%, 36.1% and 34.2% of our revenue for the financial years 2012, 2013 and 2014, respectively. There is, however, no guarantee we will be able to completely or partially offset increases in the prices of raw materials in our selling prices. If unmatched by corresponding increases in the selling prices of the products we manufacture, such increases in raw material prices would have a negative impact on our margin, financial condition and results of operations.

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Shares of Profits and Losses of Joint Venture and Associate

The contributions from our industrial business, conducted by ECI Metro Investment and Zhanjiang Deni, represented, in aggregate, 16.9%, 55.7% and 57.8% of our profit attributable to shareholder for the financial years 2012, 2013 and 2014, respectively. Therefore, any substantial increase or decrease in profits or losses generated by any of these entities may have a significant impact on our profit and financial condition. The results of operations of these entities are affected to a large degree by developments and trends in the industries and markets where they operate and in particular the automotive parts (including motorcycle parts) sectors and the machinery equipment sector. Macroeconomic conditions, consumer preferences and changes in the regulatory, tax or competitive environments may impact the results of operations of these entities and, in turn, have a positive or negative effect on our profits.

Caterpillar Products Dealership

In respect of sales of Caterpillar Products such as excavators, power generators, bulldozers and compactors by ECI Metro Investment, ECI Metro Investment's customers are principally engineering contractors who operate in the mining, railroad and construction industries in the PRC. Therefore, the level of sales is particularly dependent on the expected level of major infrastructure construction and repair projects, which is a function of economic growth, government spending and availability of financing. Demand for certain equipment used in mining and quarrying is also linked to commodity prices. In addition, any downward pricing pressure on machinery and equipment under ECI Metro Investment's dealership would impact its revenue and results of operations. For additional information on the excavator industry, please refer to the section headed "Industry Overview – Construction Equipment Industry in the PRC". Changes to the terms of ECI Metro Investment's agency relationship with Caterpillar or a loss of the agency relationship would also have a material impact on the business, operations and financial condition of ECI Metro Investment, which in turn could materially impact our share of profits and losses derived from ECI Metro Investment.

Carburetors and Automotive Parts

In respect of sales of carburetors and automotive parts by Zhanjiang Deni to motorcycle and automobile manufacturers, the level of sales is directly influenced by sales of vehicles and motorcycles containing its carburetors and automotive parts, which themselves are influenced by the general economic environment, customers' preferences and changes in applicable regulations (such as on gas emission, taxes on vehicles and restrictions on the import of automotive parts) in the markets where these vehicles are sold. Major macro-economic factors, such as GDP growth, employment levels and trends, fuel prices, household consumption levels, household confidence indices and interest rates are likely to have an impact on vehicle sales. A decline in motorcycle and automotive sales and production levels would impact Zhanjiang Deni's sales and, therefore, its revenue and profitability. The automotive part sector is also subject to intense competition which may negatively impact market prices or require additional investments in research and development in order to increase the competitiveness of Zhanjiang Deni's products; any such factor could have a negative impact on Zhanjiang Deni's profitability and, in turn, could materially impact our share of profits and losses derived from Zhanjiang Deni.

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Impact of Changes in our Tax Environment

Our subsidiaries, Pucheng Chia Tai and Zhumadian Huazhong are qualified as “High and New Technology Enterprises” under applicable PRC tax law. As such, Zhumadian Huazhong benefited up to the end of 2014, and Pucheng Chia Tai is expected to benefit up to the end of 2015, from a preferential 15% income tax rate, as compared to a 25% tax rate generally applicable to taxable income pursuant to PRC corporate income tax law. The mix of income among the different tax jurisdictions where we and our subsidiaries operate, changes in applicable tax rates or applicable tax laws or rulings in these jurisdictions or the unanticipated loss of the benefit of preferential tax rates could impact our financial performance. In addition, changes in the tax environment of our joint venture and associated company, to the extent they impact their respective profits and/or losses, will impact our share of profits and losses of joint venture and associate and, therefore, could have a material effect on our profit. See “Financial Information – Comparison of our results of operations for the Financial Years 2014 and 2013 – Share of Profit and Losses of Joint Venture and Associate” and “Financial Information – Comparison of our results of operations for the Financial Years 2013 and 2012 – Share of Profit and Losses of Joint Venture and Associate”.

In addition, until June 2014, Chia Tai Huazhong was subject to a preferential withholding tax rate of 5% on dividends received from Zhumadian Huazhong in the PRC under the Arrangement between the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income dated 21 August 2006. Following the Zhumadian Transfer in June 2014, Zhumadian Huazhong is no longer held by Chia Tai Huazhong, and is now a subsidiary of Pucheng Chia Tai and therefore such withholding tax rate is no longer applicable to dividends from Zhumadian Huazhong.

SIGNIFICANT ACCOUNTING POLICIES

We have identified certain accounting policies that are significant to the preparation of our combined Financial Information. Part B, Note 1 to our combined financial information included in “Appendix I – Accountants’ Report” to this listing document includes a summary of principal accounting policies used in the preparation of our combined financial information. The determination of these accounting policies is fundamental to our financial condition and results of operations, and requires management to make subjective and complex judgements about matters that are inherently uncertain based on information and data that may change in future periods. As a result, determinations regarding these items necessarily involved the use of assumptions and subjective judgements as to future events and are subject to change, and the use of different assumptions or data could produce materially different results. In addition, actual results could differ from estimates and may have a material adverse effect on our business, financial condition, operating results and cash flows.

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The selection of significant accounting policies, the judgements and other uncertainties affecting application of other policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing our combined financial information. Part B, Note 2 to our combined financial information included in “Appendix I – Accountants’ Report” to this listing document includes a summary of significant accounting judgements and estimates made by management in the process of applying the Group’s accounting policies.

We believe that the following significant accounting policies involve the most significant judgements and estimates used in the preparation of the combined financial information.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when the amount of revenue and costs, if applicable, can be reliably measured, when it is probable that future economic benefits will flow to us and when specific criteria have been met for the relevant activities as described below:

- sale of goods: we recognise revenue from sales of goods when the goods are delivered to the customers, which is when customers have accepted the goods and the related risks and rewards of ownership; revenue is net of value added tax, other sales taxes and any trade discounts;
- dividends: we recognise dividend income from unlisted investments when the shareholder’s right to receive payment is established;
- interest income: we recognise interest income as it accrues using the effective interest method; and
- government grants: we recognise government grants in the statement of financial position initially when there is reasonable assurance that they will be received and that we will comply with the conditions attaching to them. Grants that compensate us for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate us for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

Depreciation of Property, Plant and Equipment

We depreciate our property, plant and equipment on the straight-line basis over their estimated useful lives, and after taking into account of their estimated residual values, at rates ranging from 2.0% to 33.3% per annum, commencing from the date the property, plant and equipment are available for use. The estimated useful lives reflect the Directors’ estimate of the periods that we intend to derive future economic benefits from our property, plant and equipment.

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Impairment of Property, Plant and Equipment

We recognise the impairment loss for property, plant and equipment for the amount by which the carrying amount exceeds its recoverable amount when events or changes in circumstance indicate the carrying amounts may not be recoverable. The recoverable amount of the assets, or, where appropriate, the cash generating unit to which they belong, is the higher of its fair value less costs of disposal (if measureable) and value in use. The recoverable amounts are determined based on fair value less costs of disposal (if measureable) which are based on the best information available to reflect the amount obtainable at the reporting date, from the disposal of the asset in an arm's length transaction between knowledgeable and willing parties, after deducting the costs of disposal. For the estimation of value in use, we estimate future cash flows from the cash-generating units and chooses a suitable discount rate in order to calculate the present value of those cash flows.

Write Down of Inventories

We review the ageing analysis of our inventories at each reporting date, and make allowance for obsolete and slow-moving inventory items. We estimate the net realisable value for such items based primarily on the latest invoice prices and current market conditions. We carry out an inventory review on a product by product basis at each reporting date and makes allowances for obsolete items.

Impairment of Trade Receivables

The policy for provision for impairment loss of trade receivables is based on the evaluation of collectability and the ageing analysis of the trade receivables and on management's judgement. A significant amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. In order to assess our customers' financial condition, we conduct regular review on a case-by-case basis with reference to objective evidence on whether the amount of receivables can be collected in full. The evidence includes financial information, payment history, ageing of the amount due, and the business prospects of the customers.

We record impairment losses for doubtful debts in an allowance account. When we believe that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

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Income Tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. We recognise current tax and movements in deferred tax assets and liabilities in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current Tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred Tax

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Deferred tax assets and liabilities are not discounted. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same into which a tax loss arising from the deferred tax asset can be carried back or forwarded. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, we control the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation on settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantially enacted at the end of each reporting period.

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We review the carrying amount of a deferred tax asset at the end of each reporting period such amount is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Dividends

We recognise income taxes that arise from the distribution of dividends when the liability to pay the related dividends is recognised.

Offsetting

We present current tax balances and deferred tax balances, and movements therein, separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and certain additional conditions are met, as further set out in Part B, Note 1(p) to our combined financial information included in “Appendix I – Accountants’ Report”.

Translation of Foreign Currencies

Foreign currency transactions during the year are translated at the foreign exchange rates prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates prevailing at the end of the reporting period. We recognise exchange gains and losses in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which we recognise in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates prevailing at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates prevailing at the dates the fair value was measured.

The results of foreign operations are translated into USD at the exchange rates approximating the foreign exchange rates prevailing at the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange fluctuation reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

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PRINCIPAL COMPONENTS OF INCOME STATEMENT ITEMS

Set forth below is a description of the key line items of our combined statement of comprehensive income.

Revenue

We derive our revenue primarily from the sale of our CTC Premix and CTC HCL.

The table below presents a breakdown of revenue by product type for the financial years indicated:

	Year Ended 31 December					
	2012		2013		2014	
	(in US\$ thousands, except percentages)					
CTC Premix	106,076	80.2%	97,460	79.7%	94,610	80.8%
CTC HCL	26,198	19.8%	24,759	20.3%	22,521	19.2%
Total Revenue.	132,274	100.0%	122,219	100.0%	117,131	100.0%

Over the Track Record Period, our sales of CTC Premix represented 79.7% to 80.8% of our revenue and our sales of CTC HCL represented 19.2% to 20.3% of our revenue.

We sell our products internationally, including in the PRC, the United States, the Asia Pacific region and Europe. The table below presents a breakdown of revenue by geographical market for the financial years indicated:

	Year Ended 31 December					
	2012		2013		2014	
	(in US\$ thousands, except percentages)					
PRC	36,130	27.3%	30,730	25.1%	37,473	32.0%
United States	42,587	32.2%	38,036	31.1%	26,720	22.8%
Asia Pacific (ex-PRC)	21,363	16.2%	22,824	18.7%	24,046	20.5%
Europe	7,576	5.7%	4,450	3.7%	5,050	4.3%
Other Countries	24,618	18.6%	26,179	21.4%	23,842	20.4%
Total Revenue.	132,274	100.0%	122,219	100.0%	117,131	100.0%

Note: In terms of revenue, the main market for our products in Europe is Germany; our main Asia Pacific (excluding PRC) markets are Thailand, Vietnam and Hong Kong; and “other countries” primarily include Canada, Brazil and Mexico.

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The below discussion gives a description of sales in our main geographical markets over the Track Record Period.

PRC

Revenue from the PRC increased by 21.9% in the financial year 2014, compared to the financial year 2013. This increase was mainly due to an increase of CTC Premix sales to existing large customers due to greater demand resulting from the growth of their business. Our sales of CTC HCL also increased by 91.2% in the financial year 2014, compared to the financial year 2013, mainly due to increase in sales to customers in Jiangsu and Guangdong provinces. The PRC become our most important geographical market in terms of contribution to our revenue and represented 32.0% of our total revenue in the financial year 2014.

Revenue from the PRC decreased by 14.9% in the financial year 2013, compared to the financial year 2012. This decrease was mainly due to increased competition from manufacturers in the PRC market, which led to a decrease in our sales volumes.

United States

Revenue from the United States decreased by 29.8% in the financial year 2014, compared to the financial year 2013. This decrease was mainly due to reduced orders from one of our large customers. The United States represented 22.8% of our total revenue in the financial year 2014.

Revenue from the United States decreased by 10.7% in the financial year 2013, compared to the financial year 2012. This decrease primarily reflected a 15.2% decrease in our CTC Premix sales volumes in the United States after we increased our average selling prices by 3.2% in this geographical market.

Asia Pacific (excluding PRC)

Revenue from Asia Pacific increased by 5.4% in the financial year 2014, compared to the financial year 2013. This increase reflected increased CTC Premix and CTC HCL sales that were primarily due to increased orders from certain existing customers in Vietnam.

Revenue from Asia Pacific increased by 6.8% in the financial year 2013, compared to the financial year 2012 due to increased sales in Vietnam – primarily due to sales and marketing efforts in this market.

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Europe

Revenue from Europe increased by 13.5% in the financial year 2014, compared to the financial year 2013. This increase was mainly due to increased orders from existing customers in Holland and Italy.

Revenue from Europe decreased by 41.3% in the financial year 2013, compared to the financial year 2012. This decrease primarily reflected a decrease in our sales volumes which were negatively impacted by increased competition from a PRC manufacturer.

For additional information on our PRC and overseas sales, please see “Business – Our Biochemical Business – Marketing”.

Average realised selling prices and sales volumes

The tables below present a breakdown of the average realised selling price and sales volume by product type for the financial years indicated.

	Year Ended 31 December					
	2012		2013		2014	
	Average Realised Price	Sales Volume	Average Realised Price	Sales Volume	Average Realised Price	Sales Volume
	(US\$/ton)	(in tons)	(US\$/ton)	(in tons)	(US\$/ton)	(in tons)
CTC Premix	2,337	45,384	2,408	40,478	2,334	40,539
CTC HCL	25,990	1,008	25,060	988	23,600	954
	2,337	45,384	2,408	40,478	2,334	40,539
	25,990	1,008	25,060	988	23,600	954

The table below shows a breakdown of variations in our average realised selling prices and sales volumes for our CTC products that impacted our revenue over the Track Record Period:

	Year Ended 31 December			
	2013		2014	
	Variation in average realised price	Variation in sales volumes	Variation in average realised price	Variation in sales volumes
CTC Premix	3.0%	(10.8)%	(3.1)%	0.2%
CTC HCL	(3.6)%	(2.0)%	(5.8)%	(3.4)%
	3.0%	(10.8)%	(3.1)%	0.2%
	(3.6)%	(2.0)%	(5.8)%	(3.4)%

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Cost of Sales

Our cost of sales consists primarily of variable costs relating to the purchase of raw materials and fixed costs relating to our manufacturing facilities. Cost of raw materials is the main component of our cost of sales. Such materials primarily consist of corn starch and accounted for approximately 53.0%, 51.6% and 50.5% of our cost of sales in the financial years 2012, 2013 and 2014, respectively. Expressed as a percentage of our revenue, our cost of sales represented 70.1%, 69.9% and 67.8% of our revenue in the financial years 2012, 2013 and 2014, respectively. Over the Track Record Period, our cost of sales was principally impacted by variations in the cost of raw materials we use, which mainly reflected fluctuations in their market prices. Energy costs (including the cost of electricity, water and coal) represented 16.5%, 15.5% and 13.8% of our revenue in the financial years 2012, 2013 and 2014, respectively.

The table below shows a breakdown of our cost of sales by main line-items for the financial years indicated:

	Year Ended 31 December					
	2012		2013		2014	
	(in US\$ thousands, except percentages)					
Raw materials	49,095	53.0%	44,085	51.6%	40,117	50.5%
Electricity, water and coal	21,796	23.5%	18,954	22.2%	16,187	20.4%
Depreciation	4,849	5.2%	4,330	5.1%	4,671	5.9%
Repair and consumables	4,071	4.4%	4,911	5.7%	4,075	5.1%
Wages and other benefits	7,263	7.8%	7,806	9.1%	8,901	11.2%
Others	5,585	6.1%	5,363	6.3%	5,494	6.9%
Total Cost of Sales	92,659	100.0%	85,449	100.0%	79,445	100.0%

Note: "Others" primarily includes expenses relating to non-deductible value-added tax for export goods.

The table below presents the cost of corn starch which represents the majority of our costs of raw materials for the financial years indicated:

	Year Ended 31 December		
	2012	2013	2014
	(in US\$ thousands)		
Corn starch	28,371	26,328	23,707
Others ⁽¹⁾	20,724	17,757	16,410
Total Costs of Raw Materials	49,095	44,085	40,117

Note: "Others" primarily includes the cost of yeast, peanut meal and soybean meal.

FINANCIAL INFORMATION

Gross Profit

The table below presents a breakdown of gross profit and gross profit margin by geographical market for the financial years indicated:

	Year Ended 31 December					
	2012		2013		2014	
	Gross Profit	Gross Profit Margin ⁽¹⁾	Gross Profit	Gross Profit Margin ⁽¹⁾	Gross Profit	Gross Profit Margin ⁽¹⁾
	(in US\$ thousands, except percentages)					
PRC	11,514	31.9%	10,506	34.2%	12,998	34.7%
United States	12,770	30.0%	11,449	30.1%	8,736	32.7%
Asia Pacific (ex-PRC)	6,371	29.8%	6,602	28.9%	7,722	32.1%
Europe	2,003	26.4%	1,000	22.5%	1,242	24.6%
Other Countries	6,957	28.3%	7,213	27.6%	6,988	29.3%
Total	39,615	29.9%	36,770	30.1%	37,686	32.2%

Note: Gross profit margin is calculated by dividing gross profit by revenue.

The table below presents a breakdown of gross profit and gross profit margin by product type for the financial years indicated:

	Year Ended 31 December					
	2012		2013		2014	
	Gross Profit	Gross Profit Margin ⁽¹⁾	Gross Profit	Gross Profit Margin ⁽¹⁾	Gross Profit	Gross Profit Margin ⁽¹⁾
	(in US\$ thousands, except percentages)					
CTC Premix	33,030	31.1%	31,735	32.6%	32,389	34.2%
CTC HCL	6,585	25.1%	5,035	20.3%	5,297	23.5%
Total	39,615	29.9%	36,770	30.1%	37,686	32.2%

Note: Gross profit margin is calculated by dividing gross profit by revenue.

Other Income, Net

Other income mainly consists of grants, subsidies and incentives received from the relevant PRC administrative authorities or agencies, interest income from short-term deposits and other cash equivalents and loans to our joint venture companies, and rental income. The government grants, subsidies and incentives received over the Track Record Period primarily related to compensation given in connection with the relocation of our subsidiary Pucheng Chia Tai's manufacturing facilities. This gain was US\$6.2 million in the financial year 2012, adjusted for expenses related to the relocation.

FINANCIAL INFORMATION

Selling and Distribution Costs

Our selling and distribution costs primarily consist of costs relating to transportation of our CTC products, salaries and advertising. Our selling and distribution costs slightly increased over the Track Record Period and represented 4.7%, 4.8% and 6.2% of our revenue in the financial years 2012, 2013 and 2014, respectively.

The table below shows a breakdown of our selling and distribution costs by main line-items for the financial years indicated:

	Year Ended 31 December		
	2012	2013	2014
	(in US\$ thousands)		
Transportation	2,455	2,392	2,471
Salaries and other benefits	811	1,035	1,555
Advertising	918	443	706
Sales incentives	331	371	365
Travelling	476	637	1,024
Insurance	331	389	339
Others	832	607	820
Total Selling and Distribution Costs . .	6,154	5,874	7,280

Note: “Travelling” primarily includes travelling expenses of our sales force.

General and Administrative Expenses

Our general and administrative expenses primarily consist of salaries, discretionary bonuses and professional fees. The technical service fee represented the aggregate fees paid to CPP under service agreements relating to the provision of technical assistance by CPP to a number of our subsidiaries. These service agreements expired in 2012 and 2013, which explains the substantial decrease in the amount of the technical service fee over the Track Record Period. Our general and administrative expenses increased over the Track Record Period and represented 9.4%, 10.7% and 19.4% of our revenue in the financial years 2012, 2013 and 2014, respectively. The increase in the financial year 2014 was primarily due to an increase in legal and professional fees related to our proposed Listing. In addition, salaries and other benefits also increased, which was mainly due to increased headcount, customary annual salary adjustments reflecting inflation and performance and the salaries of the production staff during the scheduled maintenance of the factories of Pucheng Chia Tai and Zhumadian Huazhong being classified as general and administrative expenses. Salaries and other benefits included under general and administrative expenses primarily consist of salaries and other benefits for our senior management and administrative staff, whilst salaries and other benefits included under cost of sales primarily consists of salaries and other benefits paid to our production staff. Furthermore, other expenses increased from US\$2.9 million in the financial year 2013 to US\$5.0 million in the financial year 2014 primarily due to increase in electricity and water costs, repair and maintenance costs, depreciation expenses due to scheduled maintenance of the factories of Pucheng Chia Tai and Zhumadian Huazhong.

FINANCIAL INFORMATION

The table below shows a breakdown of our general and administrative expenses by main line-items for the financial years indicated:

	Year Ended 31 December		
	2012	2013	2014
	(in US\$ thousands)		
Salaries and other benefits	4,334	5,555	7,814
Technical service fee	1,666	233	–
Exchange differences ⁽¹⁾	567	1,130	371
Other taxes and surcharges ⁽²⁾	1,217	1,019	1,320
Travelling ⁽³⁾	793	1,087	825
Consulting fee	642	686	888
Legal and professional fee	29	289	5,590
Research and development ⁽⁴⁾	211	195	985
Others ⁽⁵⁾	2,912	2,859	4,979
Total General and Administrative Expenses	12,371	13,053	22,772

Notes:

- (1) “Exchange differences” reflects the impact of variations in the RMB/US\$ foreign exchange rate, principally on US\$-denominated bank balances and trade receivables.
- (2) “Other taxes and surcharges” primarily includes applicable PRC urban construction and maintenance taxes and education surcharge.
- (3) “Travelling” primarily includes travelling expenses of our administrative management and staff.
- (4) “Research and development” primarily includes costs associated with the testing of new products.
- (5) “Others” primarily includes depreciation and costs associated with the implementation of environmental protection measures.

Finance Costs

Our finance costs mainly consist of interests paid on external credit facilities. The interest on borrowings is calculated using the effective interest rate method and excludes capitalised interest associated with the construction of property, plant and equipment. For additional details on these loans and credit facilities, see “Financial Information – Cash, Working Capital and Indebtedness – Indebtedness”.

FINANCIAL INFORMATION

Share of Profits and Losses of Joint Venture and Associate

Our share of the post-tax results of our joint venture and associated company are recognised in the combined statements of comprehensive income and accounted for under the equity method. See Part B, Note 1(f) to our combined financial information included in “Appendix I – Accountants’ Report”.

The share of profits and losses of joint venture and associate reflect the results of our industrial business which includes two categories of businesses:

- *Caterpillar Products dealership*: through our joint venture, ECI Metro Investment, in which we hold and have been holding over the Track Record Period a 50%-equity stake; and
- *Carburetors and automotive parts*: through our associated company, Zhanjiang Deni, in which we hold and have been holding over the Track Record Period a 28%-equity stake.

The table below shows our share of profits and losses of joint venture and associate during the Track Record Period.

	Year Ended 31 December		
	2012	2013	2014
	(in US\$ thousands)		
Share of profits and losses of:			
Joint Venture	1,815	13,699	11,640
Associate	2,978	3,546	8,646
Total	4,793	17,245	20,286

For additional information on our joint venture and associated company, see “Business – The Industrial Business In Which Our Group Is Involved”.

Income Tax

Our income tax expense includes current tax and deferred tax. Over the Track Record Period, most of our income tax expense was related to PRC corporate income tax. See Part B, Notes 10 and 27 to our combined financial information included in “Appendix I – Accountants’ Report”.

FINANCIAL INFORMATION

Our subsidiaries operating in the PRC are subject to PRC corporate income tax at the rate of 25% on their taxable income. However, Zhumadian Huazhong and Pucheng Chia Tai benefited from a preferential PRC corporate income tax rate of 15% starting from taxable years 2012 and 2013 respectively as they qualified as “High and New Technology Enterprises” under applicable PRC corporate tax law and regulations. The preferential tax rate granted to Zhumadian Huazhong continued up to the end of 2014, and Zhumadian Huazhong is currently in the process of applying for renewal. The preferential tax rate granted to Pucheng Chia Tai will continue up to the end of 2015 but Pucheng Chia Tai can apply for its renewal. This preferential tax rate is usually granted for a three-taxable year period which may be renewed in case the beneficiary still qualifies as a “High and New Technology Enterprises”. One of the key criteria for qualifying as a “High and New Technology Enterprise” is the amount of research and development expenditure of the relevant enterprise. Although no guarantee can be given on the grant of this preferential tax rate, based on current levels of research and development, Zhumadian Huazhong and Pucheng Chia Tai expect to continue to qualify as “High and New Technology Enterprises” upon the termination of the current three-taxable year periods. See “Business – Our Biochemical Business – Research and Development”. We did not have to pay any Hong Kong profit tax over the Track Record Period as we did not generate any assessable profits in Hong Kong over the same period.

In addition, until June 2014, Chia Tai Huazhong was subject to a preferential withholding tax rate of 5% on dividends received from Zhumadian Huazhong in the PRC under the Arrangement between the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income dated 21 August 2006. Following the Zhumadian Transfer in June 2014, Zhumadian Huazhong is no longer held by Chia Tai Huazhong, and is now a subsidiary of Pucheng Chia Tai and therefore such withholding tax rate is no longer applicable to dividends from Zhumadian Huazhong.

The share of income tax attributable to joint venture and associate is not included under this line-item in our combined statements of comprehensive income. Rather, it is included in “share of profits and losses of joint venture and associate” in the combined statements of comprehensive income.

FINANCIAL INFORMATION

Our income tax liability is different from the amount that would arise using the statutory tax rates applicable to the profits of the entities comprising our Group. The following table sets forth a comparison of the difference between the tax expenses applicable based on statutory rates for the PRC and the tax expenses at the effective tax rates:

	Year Ended 31 December		
	2012	2013	2014
	(in US\$ thousands)		
Profit before tax	33,105	35,271	27,826
Tax expense on profit before tax calculated at the PRC corporate income tax rate of 25%	8,276	8,818	6,957
Lower tax rates enacted by local tax authority.	–	(1,931)	(1,647)
Effect of withholding tax at 5% or 10% on the distributable profit of the Group’s subsidiaries, joint venture and associate in the PRC ⁽¹⁾	1,079	1,041	1,637
(Over)/under-provision in prior years. . .	–	(1,236)	10
Profits and losses attributable to joint venture and associate	(1,199)	(4,311)	(5,072)
Income not subject to tax	(22)	(334)	(116)
Expenses not deductible for tax.	407	371	2,457
Effect on deferred tax balance resulting from change of tax rate	–	(533)	–
Tax expense at the Group’s effective tax rate	8,541	1,885	4,226

Note:

- (1) Until June 2014, Chia Tai Huazhong was subject to a preferential withholding tax rate of 5% on dividends received from Zhumadian Huazhong in the PRC under the Arrangement between the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income dated 21 August 2006. Following the Zhumadian Transfer in June 2014, Zhumadian Huazhong is no longer held by Chia Tai Huazhong, and is now a subsidiary of Pucheng Chia Tai and therefore such withholding tax rate is no longer applicable to dividends from Zhumadian Huazhong.

As of the Latest Practicable Date, we have paid all relevant taxes applicable to us and have no material disputes or unresolved tax issues with relevant tax authorities.

FINANCIAL INFORMATION

REVIEW OF HISTORICAL FINANCIAL RESULTS

The following table summarises our combined results for the financial years indicated:

	Year Ended 31 December		
	2012	2013	2014
	(in US\$ thousands)		
Revenue	132,274	122,219	117,131
Cost of sales	(92,659)	(85,449)	(79,445)
Gross profit	<u>39,615</u>	<u>36,770</u>	<u>37,686</u>
Other income, net	7,630	1,024	1,106
Selling and distribution costs	(6,154)	(5,874)	(7,280)
General and administrative expenses	(12,371)	(13,053)	(22,772)
Finance costs	(408)	(841)	(1,200)
Share of profits and losses of:			
Joint venture	1,815	13,699	11,640
Associate	<u>2,978</u>	<u>3,546</u>	<u>8,646</u>
Profit before tax	33,105	35,271	27,826
Income tax	(8,541)	(1,885)	(4,226)
Profit for the year	<u>24,564</u>	<u>33,386</u>	<u>23,600</u>
<i>Attributable to shareholder of the Company</i>	17,714	27,790	19,430
<i>Attributable to non-controlling interests</i>	<u>6,850</u>	<u>5,596</u>	<u>4,170</u>

Additional information is provided below to reconcile our profit for the year and total comprehensive income attributable to shareholder:

	Year Ended 31 December		
	2012	2013	2014
	(in US\$ thousands)		
Exchange differences on translation of foreign operations	–	2,829	(865)
Share of other comprehensive income of joint venture and associate	–	2,761	(1,387)
Deregistration of a subsidiary	–	–	(225)
Other comprehensive income for the year	–	5,590	(2,477)
Profit for the year	<u>24,564</u>	<u>33,386</u>	<u>23,600</u>
Total comprehensive income for the year	24,564	38,976	21,123
<i>Attributable to shareholder of the Company</i>	17,714	32,654	17,179
<i>Attributable to non-controlling interests</i>	<u>6,850</u>	<u>6,322</u>	<u>3,944</u>

FINANCIAL INFORMATION

Comparison of our results of operations for the Financial Years 2014 and 2013

Revenue

Our revenue decreased by US\$5.1 million, or 4.2%, from US\$122.2 million in the financial year 2013 to US\$117.1 million in the financial year 2014. This decrease was primarily due to a decrease in the average realised selling prices of our CTC Premix and CTC HCL. The average realised selling price of our CTC Premix decreased by 3.1% in the financial year 2014 compared with the financial year 2013 due to a smaller proportion of sales in the United States and decreased sales volume in the United States in the financial year 2014. Our sales to customers in the United States represented 22.8% of our revenue in the financial year 2014 compared with 31.1% in the financial year 2013. Sales to our customers in the United States generally carry higher selling prices than sales to our customers in other geographical regions. The average realised selling price of our CTC HCL also decreased by 5.8%, primarily as a result of increased market competition. Over the same periods our sales volumes of our CTC Premix slightly increased by 0.2% and our sales volumes of our CTC HCL decreased by 3.4%.

Cost of Sales

Our cost of sales decreased by US\$6.0 million, or 7.0%, from US\$85.4 million in the financial year 2013 to US\$79.4 million in the financial year 2014. This decrease was primarily due to a decrease of US\$4.0 million, or 9.0%, in costs of raw materials from US\$44.1 million in financial year 2013 to US\$40.1 million in the financial year 2014 that primarily resulted from a decrease in the market price of raw materials and a decrease in raw material consumption per production unit. In addition, our energy costs (including the cost of electricity, water and coal) decreased by US\$2.8 million, or 14.6%, from US\$19.0 million in the financial year 2013 to US\$16.2 million in the financial year 2014, primarily as a consequence of the completion of the repair work at the production plant of Pucheng Chia Tai, which incurred additional energy costs in the financial year 2013. Costs associated with repairs and consumables also decreased by US\$0.8 million, or 16.3%, from US\$4.9 million in the financial year 2013 to US\$4.1 million in the financial year 2014 as a result of the completion of the repair work at the Pucheng production plant. These decreases were partially offset by an increase of US\$1.1 million, or 14.1%, in wages and other benefits from US\$7.8 million in the financial year 2013 to US\$8.9 million in the financial year 2014 primarily due to increased headcount and customary annual salary adjustments, reflecting inflation, seniority and performance.

Gross Profit

As a result of the foregoing, our gross profit increased by US\$0.9 million, or 2.5%, from US\$36.8 million in the financial year 2013 to US\$37.7 million in the financial year 2014. Expressed as a percentage of our revenue, our gross margin increased from 30.1% in the financial year 2013 to 32.2% in the financial year 2014.

FINANCIAL INFORMATION

Other Income, Net

Our other income, net increased by US\$82,000, or 8.0%, from US\$1.0 million in the financial year 2013 to US\$1.1 million in the financial year 2014. This increase was primarily due to a gain of US\$225,000 on deregistration of a subsidiary, and a decrease of US\$567,000 in losses on disposal of property, plant and equipment from a net loss of US\$718,000 in the financial year 2013 to a net loss of US\$151,000 in the financial year 2014.

Selling and Distribution Costs

Our selling and distribution costs substantially increased by US\$1.4 million, or 23.9%, from US\$5.9 million in the financial year 2013 to US\$7.3 million in the financial year 2014. This increase primarily reflected a US\$0.6 million increase in our salary expenses, or 50.2%, from US\$1.0 million in the financial year 2013 to US\$1.6 million in the financial year 2014 primarily due to increased headcount, including additional senior management and new members of our sales force, and customary annual salary adjustments reflecting inflation, seniority and performance. Travelling expenses of our sales force increased by US\$0.4 million, or 60.8%, from US\$0.6 million in the financial year 2013 to US\$1.0 million in the financial year 2014. This increase was primarily due to attendance by more staff members at an increased number of exhibitions to locate new business opportunities. In addition, advertising expenses increased by US\$0.3 million, or 59.4%, from US\$0.4 million in the financial year 2013 to US\$0.7 million in the financial year 2014. This increase was primarily due also to attendance at an increased number of exhibitions to locate new business opportunities.

General and Administrative Expenses

Our general and administrative expenses substantially increased by US\$9.7 million, or 74.5%, from US\$13.1 million in the financial year 2013 to US\$22.8 million in the financial year 2014. This increase was primarily due to an increase of US\$5.3 million in legal and professional fees from US\$0.3 million in the financial year 2013 to US\$5.6 million in the financial year 2014 that primarily reflected estimated legal and professional fees related to our proposed Listing. Salaries and other benefits increased by US\$2.2 million, or 40.7%, from US\$5.6 million in the financial year 2013 to US\$7.8 million in the financial year 2014. This increase primarily due to increased headcount, customary annual salary adjustments reflecting inflation and performance and the salaries of the production staff during the scheduled maintenance of the factories of Pucheng Chia Tai and Zhumadian Huazhong being classified as general and administrative expenses. Research and development expenses also increased by US\$0.8 million, from US\$0.2 million in the financial year 2013 to US\$1.0 million in the financial year 2014. This increase was primarily due to more testing of new products. These increases were partially offset by the positive impact of exchange differences. Exchange differences decreased by US\$0.7 million, from expenses of US\$1.1 million in the financial year 2013 to US\$0.4 million in the financial year 2014 due to the depreciation of the RMB against the US\$ in the financial year 2014.

FINANCIAL INFORMATION

Finance Costs

Our finance costs increased by US\$0.4 million or 42.7%, from US\$0.8 million in the financial year 2013 to US\$1.2 million in the financial year 2014. This increase was primarily due to an increase of US\$0.4 million in interest expenses on bank borrowings wholly repayable within five years, from US\$0.9 million in financial year 2013 to US\$1.3 million in the financial year 2014, primarily due to increased level of bank borrowings to finance higher level of inventories in connection with our production plan in the financial year 2014 compared to the financial year 2013.

Share of Profits and Losses of Joint Venture and Associate

Our share of profits of joint venture and associate increased by US\$3.1 million, or 17.6%, from US\$17.2 million in the financial year 2013 to US\$20.3 million in the financial year 2014. This increase was due to an increase in income from Zhanjiang Deni primarily due to a non-recurring gain on factory relocation. This increase was partially offset by a decrease in profits generated by ECI Metro Investment in the financial year 2014, as described below.

Caterpillar Products dealership: Sales volumes of machinery equipment decreased in the financial year 2014 compared to financial year 2013, principally as a result of a decrease in development projects in the western provinces of China, which led to a decreased demand for machinery and thus contributed to the decrease in profits generated by ECI Metro Investment in the financial year 2014.

Carburetors and automotive parts: Sales volume of automotive parts increased in the financial year 2014 compared to the financial year 2013. These increases were partially offset by decreased sales volumes of carburetors.

The gross profit of our joint venture and associate decreased in financial year 2014 compared to financial year 2013, primarily as a result of increased cost of sales due to increases in labour and production cost related to a factory relocation of Zhanjiang Deni, which was only partially off-set by a non-recurring gain of US\$26.9 million, which represents US\$7.5 million share by our Group of government grant given for the factory relocation. In addition, the tax expense for Zhanjiang Deni increased from US\$0.3 million, which represents US\$0.1 million share by our Group, in financial year 2013 to US\$5.6 million, which represents US\$1.6 million share by our Group, in the financial year 2014, as the 10% tax concession obtained in 2012 offset against tax payable in 2013 was no longer available in 2014.

FINANCIAL INFORMATION

Profit Before Tax

As a result of the foregoing, our profit before tax decreased by US\$7.5 million, or 21.1%, to US\$27.8 million in the financial year 2014 from US\$35.3 million in the financial year 2013.

Income Tax

Our income tax increased by US\$2.3 million, or 124.2%, to US\$4.2 million in the financial year 2014 from US\$1.9 million in the financial year 2013. Our effective tax rate was 5.3% in the financial year 2013 compared to 15.2% in the financial year 2014. This decrease was primarily due to the reflection of the 2012 downward adjustment of Zhumadian Huazhong's preferential income tax rate of 15% as a "High and New Technologies Enterprise", which was granted in the financial year 2013. We also experienced an increase in expenses not deductible from tax in the financial year 2014 due to non-deductibility, for corporate income tax purposes, of certain estimated professional fees incurred in connection with the Listing in the financial year 2014, as well as increase in salaries incurred by overseas holding companies.

Profit for the Year

As a result of the foregoing, our profit for the year decreased by US\$9.8 million, or 29.3%, to US\$23.6 million in financial year 2014 from US\$33.4 million in the financial year 2013. Expressed as a percentage of our revenue, our net profit margin decreased from 27.3% in the financial year 2013 to 20.1% in the financial year 2014.

Comparison of our results of operations for the Financial Years 2013 and 2012

Revenue

Our revenue decreased by US\$10.1 million, or 7.6%, from US\$132.3 million in the financial year 2012 to US\$122.2 million in the financial year 2013. This decrease was primarily due to a 10.8% decrease in sales volumes of our CTC Premix and a 2.0% decrease in sales volumes of our CTC HCL. These decreases were principally caused by increased competition from new market entrants and decreased purchases by customers located in the United States in the second half of 2013 as their stocks of CTC products had increased. The average realised selling price of our CTC HCL also decreased by 3.6%, primarily as a result of discounts granted to customers in the second half of 2013. The average realised selling price of our CTC Premix increased by 3.0% over the same period due to the appreciation of the RMB against the U.S. dollar. However, this increase was partially offset by the decrease in our sales volumes.

FINANCIAL INFORMATION

Cost of Sales

Our cost of sales decreased by US\$7.3 million, or 7.8%, from US\$92.7 million in the financial year 2012 to US\$85.4 million in the financial year 2013. This decrease was primarily due to the decrease in our sales volumes and the corresponding decrease in volumes of raw materials used. Costs of raw materials decreased by US\$5.0 million, or 10.2%, from US\$49.1 million in financial year 2012 to US\$44.1 million in the financial year 2013 that primarily resulted from a decrease in raw material consumption per production unit. In addition, our energy costs (including the cost of electricity, water and coal) decreased by US\$2.8 million, or 13.0%, from US\$21.8 million in the financial year 2012 to US\$19.0 million in the financial year 2013, primarily as a consequence of lower production levels in the financial year 2013.

Gross Profit

As a result of the foregoing, our gross profit decreased by US\$2.8 million, or 7.2%, to US\$36.8 million in the financial year 2013 from US\$39.6 million in the financial year 2012. Expressed as a percentage of our revenue, our gross margin remained relatively stable; our gross margin was 30.1% in the financial year 2013, compared to 29.9% in the financial year 2012.

Other Income, Net

Our other income, net decreased by US\$6.6 million, or 86.6%, from US\$7.6 million in the financial year 2012 to US\$1.0 million in the financial year 2013. This decrease was primarily due to a substantial decrease in gains on factories relocation and increased losses on disposal of property, plant and equipment, which were partially offset by an increase in government grants in the financial year 2013. Gains on factory relocation and other government grants totaled US\$6.7 million in the financial year 2012 compared with US\$1.5 million in the financial year 2013. This decrease was essentially due to a US\$6.2 million non-recurring compensation obtained from the PRC government in connection with the relocation of the manufacturing facilities of our subsidiary, Pucheng Chia Tai, in the financial year 2012.

Selling and Distribution Costs

Our selling and distribution costs slightly decreased by US\$0.3 million, or 4.5%, from US\$6.2 million in the financial year 2012 to US\$5.9 million in the financial year 2013. This decrease was primarily because of a decrease in advertising costs due to our reduced participation in trade shows and exhibitions, and fewer meetings with long term customers and a decrease in transportation costs that reflected a decrease in our sales volumes in the financial year 2013. Advertising expenses decreased of US\$0.5 million, or 51.7%, from US\$0.9 million in financial year 2012 to US\$0.4 million in the financial year 2013.

FINANCIAL INFORMATION

General and Administrative Expenses

Our general and administrative expenses slightly increased by US\$0.7 million, or 5.5%, from US\$12.4 million in the financial year 2012 to US\$13.1 million in the financial year 2013. This increase was primarily due to a US\$1.3 million, or 28.2%, increase in our salaries that was mainly due to an increase in our global headcount, our customary annual salary adjustments reflecting inflation, seniority and performance, and a US\$0.3 million, or 37.1%, increase in our travelling expenses which principally reflected costs associated with our participation in an increased number of local business and industry conferences and overseas business trips for identifying new business opportunities. See “Financial Information – Comparison of our results of operations for Financial Years 2012 and 2011”.

Finance Costs

Our finance costs increased by US\$0.4 million, from US\$0.4 million in the financial year 2012 to US\$0.8 million in the financial year 2013. This increase was primarily due to a US\$0.4 million increase in interest expense on bank borrowings that was primarily caused by a substantial increase in our total bank borrowings, which amounted to US\$22.7 million as at 31 December 2013 compared with US\$11.3 million as at 31 December 2012.

The increase in our total bank borrowings in the financial year 2013 primarily reflected the financing of increased balances of inventories in connection with our production plan.

Share of Profits and Losses of Joint Venture and Associate

Our share of profits of joint venture and associate substantially increased by US\$12.4 million, or 259.8%, from US\$4.8 million in the financial year 2012 to US\$17.2 million in the financial year 2013. This increase was primarily because of a substantial increase in profit after income tax of our joint venture ECI Metro Investment mainly due to increased sales of machinery equipment. Sales of automotive parts and related profit after income tax also increased at our associated company, Zhanjiang Deni.

Caterpillar Products dealership: Sales volumes of machinery equipment and generators increased in the financial year 2013 principally as a result of increased demand in the western part of the PRC. In addition, increased sales led to improved inventory turnover during the financial year 2013, which in turn had a positive impact on finance costs. As a result of the foregoing, ECI Metro Investment’s profit after tax increased in the financial year 2013.

Carburetors and automotive parts: Sales volumes of automotive parts increased in 2013 compared to 2012 mainly due to the expansion of the automotive industry which lead to an increase in the sales volumes of our new and existing products. That increase was partially offset by the decrease in sales volumes of carburetors in 2013 compared to 2012 mainly due to increased regulations on new motorcycles in the PRC, which caused a reduction in demand for our carburetors.

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In addition, starting from the financial year 2009, Zhanjiang Deni qualified as a “High and New Technologies Enterprise”, therefore it benefited from a preferential corporate income tax rate of 15% of its taxable profit, compared to 25% in the preceding financial years. This preferential tax rate was granted for a three-taxable year period which can be renewed in case the beneficiary still qualifies as a “High and New Technologies Enterprise”. The three-taxable year period for Zhanjiang Deni expired in 2012, but was renewed in 2013. During 2012, Zhanjiang Deni paid tax on based on a 25% basis, and the 10% tax concession difference will be offset against tax payable by Zhanjiang Deni in 2013. This decrease in the applicable corporate income tax rate had a positive impact on Zhanjiang Deni’s profit after tax.

Profit Before Tax

As a result of the foregoing, our profit before tax increased by US\$2.2 million, or 6.5%, to US\$35.3 million in the financial year 2013 from US\$33.1 million in the financial year 2012.

Income Tax

Our income tax substantially decreased by US\$6.6 million, or 77.9%, to US\$1.9 million in the financial year 2013 from US\$8.5 million in the financial year 2012. Our effective tax rate was 5.3% in the financial year 2013 compared to 25.8% in the financial year 2012. This decrease was primarily due to a higher current tax that was US\$7.0 million in the financial year 2012 compared to US\$2.0 million in the financial year 2013. The decrease in our current tax related to a preferential corporate income tax rate of 15% granted to both Pucheng Chia Tai and Zhumadian Huazhong in 2013 compared to 25% of taxable income in the preceding financial years as they qualified as “High and New Technologies Enterprises” under the applicable PRC corporate tax law and regulations. Pucheng Chia Tai’s preferential tax rate became effective in the financial year 2013. Zhumadian Huazhong’s preferential tax rate became effective in the taxable year 2012 during which it had already accrued corporate income tax at the ordinary corporate income tax rate of 25%, which led to an income tax downward adjustment in the amount of US\$1.2 million in the financial year 2013. Deferred tax was also US\$1.6 million higher in the financial year 2012 compared with the financial year 2013. This decrease was primarily due to a downward adjustment in deferred tax relating to the relocation of Pucheng Chia Tai’s manufacturing facilities in the financial year 2013 since the applicable income tax rate decreased from 25% in the financial year 2012 to 15% in the financial year 2013.

Profit for the Year

As a result of the foregoing, our profit for the year substantially increased by US\$8.8 million, or 35.9%, to US\$33.4 million in the financial year 2013 from US\$24.6 million in the financial year 2012. Expressed as a percentage of our revenue, our net profit margin increased from 18.6% in the financial year 2012 to 27.3% in the financial year 2013.

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LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of funds during the Track Record Period have been cash flows generated from our operating activities and bank borrowings. Our principal uses of funds during Track Record Period have been purchases of raw materials, energy and payment of salaries. After completion of the Spin-off, we will continue to rely on cash flows generated from our operating activities and banking facilities.

Cash Flows

We need cash primarily to fund operating expenses, including purchases of raw materials and energy, and capital expenditures relating to the upgrade and expansion of our manufacturing facilities.

The following table sets forth a condensed summary of our combined statements of cash flows for the financial years indicated:

	Year Ended 31 December		
	2012	2013	2014
	(in US\$ thousands)		
Net cash flows generated from/(used in) operating activities	15,747	(3,687)	16,882
Net cash flows used in investing activities	(1,167)	(10,258)	(1,017)
Net cash flows (used in)/generated from financing activities	(9,724)	8,555	(9,232)
Net increase/(decrease) in cash and cash equivalents	4,856	(5,390)	6,633
Cash and cash equivalents at beginning of year	10,544	15,400	10,491
Effect of foreign exchange rate changes, net	–	481	(139)
Cash and cash equivalents at end of year	<u>15,400</u>	<u>10,491</u>	<u>16,985</u>

Cash Flows Generated From/(Used In) Operating Activities

Net cash flows generated from operating activities amounted to US\$16.9 million in the financial year 2014 compared with a US\$3.7 million outflow generated by operating activities in the financial year 2013 and a US\$15.7 million inflow generated by operating activities in the financial year 2012.

In the financial year 2014, our net cash flows generated from operating activities were primarily a result of our profit before tax of US\$27.8 million, as negatively adjusted for changes in working capital and non-cash items of US\$5.0 million, primarily a US\$20.3 million

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of income from our share of profits and losses of joint venture and associate, a US\$2.6 million increase in trade payables, and a US\$172,000 decrease in amortisation of government grant. This US\$22.8 million inflow was reduced by interest paid of US\$1.3 million and income tax paid of US\$4.6 million in the financial year 2014, which led to a net cash inflow of US\$16.9 million.

In the financial year 2013, our net cash flows used in operating activities were primarily a result of our profit before tax of US\$35.3 million, as negatively adjusted for changes in working capital and non-cash items of US\$35.0 million, primarily a US\$17.2 million of income from our share of profits and losses of joint venture and associate, a US\$13.3 million decrease in our other payables and accruals, a US\$8.1 million increase in our inventories and a US\$4.5 million increase in our trade and bills receivables. This US\$0.3 million inflow was reduced by interest paid of US\$0.9 million and income tax paid of US\$3.1 million, which led to a net cash outflow of US\$3.7 million in the financial year 2013.

In the financial year 2012, our net cash flows generated from operating activities were primarily a result of our profit before tax of US\$33.1 million, as negatively adjusted for changes in working capital and non-cash items of US\$10.1 million, primarily a US\$19.2 million decrease in our other payables and accruals, a US\$17.6 million decrease in our prepayments, deposits and other receivables, US\$4.8 million of income from our share of profits and losses of joint venture and associate, a decrease of US\$6.2 million from a gain on factories relocation and an expense of US\$5.6 million for depreciation of property, plant and equipment. This US\$23.0 million inflow was reduced by interest paid of US\$0.5 million and income taxes paid of US\$6.8 million, which led to a net inflow of US\$15.7 million in the financial year 2012.

Cash Flows Used In Investing Activities

Net cash flows used in investing activities amounted to US\$1.0 million in the financial year 2014, compared with net cash flows used in investing activities of US\$10.3 million in the financial year 2013 and net cash flows used in investing activities of US\$1.2 million in the financial year 2012.

In the financial year 2014, our net cash flows used in investing activities were primarily a result of purchases of property, plant and equipment in the amount of US\$4.8 million representing primarily construction in progress, principally related to the construction of new factories, which were partially offset by government grant received in the amount of US\$1.9 million and dividends received from associate of US\$1.7 million.

In the financial year 2013, our net cash flows used in investing activities were primarily a result of purchases of property, plant and equipment in the amount of US\$5.2 million representing primarily construction in progress, principally related to the construction of new factories, a US\$5.4 million prepayment for acquisition of land use right, which were partially offset by interest received in the amount of US\$0.3 million.

In the financial year 2012, our net cash flows used in investing activities were primarily a result of purchases of property, plant and equipment in the amount of US\$8.4 million representing primarily construction in progress and furniture, fixture and office equipment,

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which was partially offset by dividends we received from our associate in the aggregate amount of US\$5.5 million and receipt from the relevant PRC authorities of compensation relating to factories relocation of US\$1.3 million.

Cash Flows (Used In)/Generated From Financing Activities

Net cash flows used in financing activities amounted to US\$9.2 million in the financial year 2014, compared with net cash flows generated from financing activities of US\$8.6 million in the financial year 2013, and net cash flows used in financing activities of US\$9.7 million in the financial year 2012.

In the financial year 2014, our net cash flows used in financing activities were primarily the result of dividends paid to non-controlling equity holders in the amount of US\$5.2 million, and a net decrease in bank borrowings of US\$4.0 million.

In the financial year 2013, our net cash flows generated from financing activities were primarily the result of a net increase in our bank borrowings of US\$11.0 million, partially offset by dividends paid to non-controlling equity holders in the amount of US\$2.4 million.

In the financial year 2012, our net cash flows used in financing activities was primarily attributable to dividends paid in an aggregate amount of US\$12.4 million, including a US\$10.0 million dividend paid to CPP by Chia Tai Huazhong and a US\$2.4 million dividend paid to non-controlling equity holders, which were partially offset by a net increase in bank borrowings in the amount of US\$2.6 million.

CERTAIN BALANCE SHEET ITEMS

As of 31 December 2014, we had total assets less current liabilities of US\$175.6 million, an increase of US\$33.2 million, or 23.4%, from US\$142.4 million as of 31 December 2013, largely resulting from an decrease of US\$42.6 million, or 57.7% in current liabilities, from US\$73.8 million as of 31 December 2013 to US\$31.2 million as of 31 December 2014 and an increase of US\$13.9 million, or 10.2%, in total non-current assets from US\$135.9 million as of 31 December 2013 to US\$149.8 million as of 31 December 2014. The decrease in current liabilities was largely due to a decrease in other payables and accruals, as discussed below. The increase in total non-current assets was largely due to investment in joint venture, which increased by US\$10.5 million, or 17.5%, to US\$70.4 million as of 31 December 2014 from US\$59.9 million as of 31 December 2013, primarily as a result of profits from ECI Metro Investment.

Included below is a discussion of our principal balance sheet items, including inventories, trade and bills receivable, trade and other payables and accruals, as well as prepayments, deposits and other receivables.

Inventories

Our inventories consist of raw materials, work in progress and finished goods. We monitor our inventories on a weighted average basis and closely monitor the whole supply chain process. In monitoring our inventory balances, we try to ensure the reliability of our supply in raw materials and our ability to supply finished products.

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The following table sets out a summary of our inventory balances as at the end of each reporting period indicated:

	As at 31 December		
	2012	2013	2014
	(in US\$ thousands)		
Raw materials	2,811	3,239	3,146
Work in progress	3,964	10,296	7,034
Finished goods.	5,022	6,706	4,748
Total	11,797	20,241	14,928

Our inventories were US\$11.8 million, US\$20.2 million and US\$14.9 million as at 31 December 2012, 2013 and 2014, respectively. The increase in our inventories from 2012 to 2013 was primarily attributable to an increase in inventories relating to work in progress. The substantial increases in our inventories relating to work in progress as at 31 December 2012 and 2013, as well as the related increase in our inventory turnover days, were primarily due to maintenance of our factories of Pucheng Chia Tai and Zhumadian Huazhong in 2014 in preparation for which we had increased our inventories. As such maintenance of the factories was completed in 2014, our inventory level as at 31 December 2014 decreased compared to that as at 31 December 2013.

The management adopted a consistent inventory assessment and write-down policy during the Track Record Period. In respect of raw materials, management’s goal is to keep raw material inventory at levels representing 30 to 45 days of production requirements. Inventory levels are also managed based on estimated market demand and ordered sales volumes. See “Business – Our Biochemical Business – Inventory Control”.

The following table sets forth our average inventory turnover days as at the end of each reporting period indicated:

	As at 31 December		
	2012	2013	2014
	(in days)		
Average inventory turnover	43	68	81

Note: Turnover days are defined as the average of the opening and closing inventory balances of the relevant year divided by cost of sales for the year.

As at 30 April 2015, we have used/sold 100.0%, 70.8% and 93.7% of our inventory of raw materials, work in progress, and finished goods as at 31 December 2014, respectively.

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Trade and Bills Receivables

Our total trade and bills receivables (net of provision for impairment) were US\$13.3 million, US\$18.2 million and US\$18.8 million as at 31 December 2012, 2013 and 2014, respectively.

Total trade and bills receivable increased by US\$0.6 million as at 31 December 2014 compared to as at 31 December 2013, primarily due to increased sales to customers in November and December 2014, compared to the same periods in 2013. Total trade and bills receivables increased by US\$4.9 million as at 31 December 2013 compared to as at 31 December 2012, which was mainly due to increased sales to customers located in the PRC in November and December 2013, compared to the same periods in 2012, and sales made at the end of the financial year 2013 to certain of our large overseas customers which were not entirely settled until January 2014. This increase, together with a decrease in our turnover in the financial year 2013 primarily explain the increase in our trade and bills receivables turnover days in the financial year 2013.

We make reserves for doubtful debts upon our determination of recovery of certain trade or bills receivables being doubtful. During the Track Record Period, such provision for doubtful debt was nil as at 31 December 2012 and 2013 and 2014.

The following table sets forth our trade and bills receivables turnover days as at the end of each financial year indicated:

	As at 31 December		
	2012	2013	2014
	(in days)		
Trade and bills receivables turnover	34	47	58

Note: Turnover days are defined as the average of the opening and closing trade and bill receivables balances of the relevant year divided by revenue for the year.

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The following table shows the ageing analysis for trade receivables as at the end of each financial year indicated, based on the invoice date:

	As at 31 December		
	2012	2013	2014
	(in US\$ thousands)		
60 days or below	13,177	16,023	13,907
61 to 180 days	88	2,139	4,868
Over 180 days	–	–	13
Total amount	13,265	18,162	18,788
Impairment	–	–	–
Total amount less impairment	13,265	18,162	18,788

The increase in the amount of trade receivables due after 61 days from the invoice date principally related to sales made to large overseas customers at the end of the financial year 2013 and 2014 which were not entirely settled until early 2014 and 2015, respectively.

None of the above trade and bills receivables are considered individually or collectively impaired. As at 30 April 2015, US\$18.4 million, or approximately 97.9% of our total trade and bills receivables as at 31 December 2014 in the total amount of US\$18.8 million had been settled.

We usually grant our customers a credit period of up to 60 days, depending on market and business requirements. We seek to maintain strict control over our outstanding receivables, and overdue balances are therefore reviewed regularly by management, and we may charge interest on overdue trade receivable balances. Trade receivables are closely monitored by designated staff from our sales and finance departments. See “Business – Our Biochemical Business – Sales and Marketing”.

Trade Payables and Other Payables and Accruals

Our trade payables principally consist of balances payable to raw material suppliers, and energy and utility suppliers. As at 31 December 2012, 2013 and 2014, our trade payables were US\$6.1 million, US\$7.6 million and US\$4.9 million, respectively. The decrease in our trade payables as at 31 December 2014, as compared with that as at 31 December 2013, was primarily due to decreased purchases of raw materials as a result of high inventory levels. The increase in trade payables as at 31 December 2013, as compared with that of 31 December 2012, was primarily due to increased purchases of raw materials corresponding to our expectation of increased sales in the financial year 2014. This increase in trade payables balances and the decrease in our cost of sales in the financial year 2013 explain the increase in our trade payables turnover days in the financial year 2013.

The payment terms with our suppliers of energy and raw materials generally range from cash payment upon delivery to a credit period of up to 30 days with cash or bill settlement.

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The following table sets forth the Company's trade payables turnover days as at the end of each reporting period indicated:

	As at 31 December		
	2012	2013	2014
	(in days)		
Trade payables turnover.	22	29	29

Note: Turnover days are defined as the average of the opening and closing trade payables balances of the relevant year divided by cost of sales for the year.

The following table shows the ageing analysis for trade payables as at the end of the financial year indicated, based on the date of receipt of goods as at the end of each financial year indicated:

	As at 31 December		
	2012	2013	2014
	(in US\$ thousands)		
60 days or below.	6,084	7,227	4,770
61 to 180 days.	–	348	112
181 to 360 days.	–	2	1
Over 360 days.	15	1	1
Total amount	6,099	7,578	4,884

As at 30 April 2015, US\$4.8 million, or 98.0% of our total trade and bills payables as at 31 December 2014 in the total amount of US\$4.9 million had been settled.

Other payables and accruals primarily consist of advances received from customers, accrued expenses and payables relating to construction (including fees and materials).

As at 31 December 2012, 2013 and 2014, our other payables and accruals were approximately US\$59.7 million, US\$46.8 million and US\$10.2 million, respectively. Included in these balances are payables due to CPP (our immediate holding company), which amounted to US\$48.5 million, US\$39.6 million and nil as at 31 December 2012, 2013 and 2014, respectively. The decrease in our other payables and accruals from US\$46.8 million as at 31 December 2013 to US\$10.2 million as at 31 December 2014 was primarily due to a US\$39.6 million decrease in the amount of other payables due to CPP. The other payables due to CPP were partially net-off with the consideration receivable from the disposal of Ek Chor Investment during the financial year 2014. The decrease in our other payables and accruals from US\$59.7 million as at 31 December 2012, to US\$46.8 million as at 31 December 2013, was principally due to a US\$8.8 million decrease in the amount of other payables due to CPP. The US\$4.0 million decrease in other payables and accruals due to third parties in the financial year 2013 principally reflected a decrease in accruals relating to purchases of construction materials after the completion of the relocation of our subsidiary Pucheng Chia Tai's manufacturing facilities in 2013.

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Included in our other payables and accruals as at 31 December 2012, 2013 and 2014 was a total aggregate amount of US\$48.7 million, US\$39.8 million and US\$1.0 million, respectively, due to CPP, fellow subsidiaries, subsidiaries of CPG and non-controlling equity holders. These balances were unsecured, interest free and had no fixed terms of repayment.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we did not default in payment of any trade and non-trade payables.

Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables primarily consist of loans to our joint venture that bear interest at 4.45% per annum and which are repayable within a year or at the end of each reporting period, receivables from CPP, joint venture, associate, subsidiaries of CPP, subsidiaries of CPG, and non-controlling equity holders and other prepayments, deposits and other receivables due from third parties. As at 31 December 2012, 2013 and 2014, our prepayments, deposits and other receivables were US\$29.4 million, US\$31.4 million and US\$6.3 million, respectively. Loans to our joint venture have been stable at US\$4.5 million as at 31 December 2012 and 2013, but decreased to nil as at 31 December 2014. The US\$25.1 million decrease in our prepayments, deposits and other receivables as at 31 December 2014 compared to as at 31 December 2013, was largely due to the decrease of US\$15.5 million in receivables from subsidiaries of CPP due to the assignment to CPP by a subsidiary of its loan to Ek Chor Investment and the subsequent offset with the amount due to CPP, a US\$4.5 million decrease in loans to our joint venture due to the repayment of loans by our joint venture, a US\$3.6 million decrease in receivables from CPP due to repayment of dividends prepaid by Zhumadian Huazhong from Chia Tai Huazhong received on their behalf, and a US\$2.0 million decrease in dividend prepaid to non-controlling equity holders due to repayment of dividends prepaid by Zhumadian Huazhong from non-controlling equity holders. The US\$2.1 million increase in our prepayments, deposits and other receivables as at 31 December 2013, compared to as at 31 December 2012, was primarily due to a US\$1.4 million increase in dividends due from our associated company, Zhanjiang Deni, a US\$0.6 million increase in dividends prepaid by Zhumadian Huazhong to non-controlling equity holders, a US\$4.3 million increase in dividends pre-paid by Zhumadian Huazhong to Chia Tai Huazhong received on their behalf and partially set-off by a decrease in receivables from subsidiaries of CPP of US\$5.4 million.

NET CURRENT (LIABILITIES)/ASSETS

We had net current liabilities of US\$5.5 million, net current assets of US\$6.5 million and net current assets of US\$25.8 million as at 31 December 2012, 2013 and 2014, respectively. The amount of net current assets as at 31 December 2013 principally arose from the amount of our inventories of US\$20.2 million and prepayments, deposits and other receivables of US\$31.4 million. The amount of net current assets as at 31 December 2014 principally arose from the amount of our trade and bills receivables of US\$18.8 million and cash and cash equivalent of US\$17.0 million. As at 30 April 2015, being the latest practicable date for the purpose of our net current assets position, our net current assets were US\$23.6 million. This amount principally arose from our inventories and cash and cash equivalents.

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The table below sets forth our current assets, current liabilities and net current (liabilities)/assets as at the dates indicated:

	As at 31 December			As at 30 April
	2012	2013	2014	2015
	(in US\$ thousands)			
Current assets				
Inventories	11,797	20,241	14,928	20,784
Trade and bills receivables	13,265	18,162	18,788	15,617
Prepayments, deposits and other receivables	29,368	31,429	6,337	6,422
Cash and cash equivalents	15,400	10,491	16,985	18,940
Current liabilities				
Trade payables	(6,099)	(7,578)	(4,884)	(7,486)
Other payables and accruals	(59,655)	(46,758)	(10,195)	(12,616)
Bank borrowings	(8,610)	(18,967)	(15,855)	(17,427)
Income tax payables	(926)	(501)	(273)	(662)
Net current (liabilities)/assets	(5,460)	6,519	25,831	23,572

CASH, WORKING CAPITAL AND INDEBTEDNESS

Cash and Cash Equivalents

We fund our short-term working capital requirements through cash flows from operating activities and short-term borrowings. As at 31 December 2012, 2013 and 2014 we had cash and cash equivalents of US\$15.4 million, US\$10.5 million and US\$17.0 million, respectively. As at 30 April 2015, our cash and cash equivalents were US\$18.9 million. The increase in our cash and cash equivalents as at 30 April 2015 compared to 31 December 2014 was mainly due to collection of trade and bills receivables and increase in bank borrowings.

There was an increase in cash and cash equivalents of US\$6.5 million as at 31 December 2014 compared to 31 December 2013. This increase was mainly due to increased net cash flows generated by our operating activities, in particular the repayment of a loan to ECI Metro Investment in the financial year 2014. See “Financial Information – Liquidity and Capital Resources – Cash Flows”. There was a decrease in cash and cash equivalents of US\$4.9 million as at 31 December 2013 compared to cash and cash equivalents as at 31 December 2012. This decrease was mainly due to increased net cash flows used in our operating activities. See “Financial Information – Liquidity and Capital Resources – Cash Flows”.

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Working Capital

Working capital is an important component of our financial position and performance. Taking into account the financial resources of our Group, including internally generated funds and presently available banking facilities, our Directors are of the opinion that the Group has sufficient working capital for its current requirements, that is for at least the next 12 months from the date of this listing document. After due consideration and discussions with our Group's management and based on the above, the Sole Sponsor has no reason to believe that our Group cannot meet the working capital requirements for the 12 month period from the date of this listing document.

Indebtedness

Bank Borrowings

Our short-term debt (excluding the current portion of long-term debt) primarily consists of bank borrowings, of which US\$6.6 million, US\$7.9 million and US\$4.8 million as at 31 December 2012, 2013 and 2014, respectively, were secured by pledges over certain property, plant and equipment, land lease prepayments and trade receivables. See Part B, Note 25 to our combined financial information included in "Appendix I – Accountants' Report" for further information on our secured bank borrowings. Most of our outstanding bank borrowings are unsecured and due within one year or on demand.

The following table sets forth a summary of the maturity profile for our outstanding bank borrowings as at the dates indicated:

	As at 31 December			As at
	2012	2013	2014	30 April
	(in US\$ thousands)			
Bank borrowings				
Amount due within one year or on demand ⁽¹⁾ . . .	8,610	18,967	15,855	17,427
Amount due in the second year	–	1,229	1,209	1,210
Amount due in the third to fifth year	2,704	2,458	1,208	605
Total bank borrowings	11,314	22,654	18,272	19,242
<i>Including portion classified as current</i>				
<i>liabilities</i>	8,610	18,967	15,855	17,427
<i>Including portion classified as non-current</i>				
<i>liabilities</i>	2,704	3,687	2,417	1,815

Note:

(1) This carrying amount mainly relates to credit facilities for funding our working capital needs that we expect to roll over.

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Over the Track Record Period, our borrowings were primarily denominated in US\$ and RMB and most of them were subject to floating interest rates. As at 31 December 2014, the effective interest rate paid on our bank borrowings subject to fixed interest rates was 6.13%, all of which were denominated in RMB; the effective interest rate on our RMB-denominated bank borrowings subject to floating interest rates was 6.49%, all of which were denominated in RMB. In the financial year 2013, the effective interest rate paid on our bank borrowings subject to fixed interest rates was 5.91%, all of which were denominated in RMB; the effective interest rate on our RMB-denominated bank borrowings subject to floating interest rates was 6.30% and the effective interest rate on our US\$-denominated bank borrowings was 3.12%.

As at 31 December 2014, we did not have any other long-term credit facility in place.

Our total bank borrowings decreased by US\$4.4 million from 31 December 2013 to 31 December 2014, primarily due to the repayment of a long term loan related to our factories in Pucheng in the amount of US\$1.3 million, according to the repayment schedule. In addition, reduced inventory level increased our cash available for working capital and thereby reduced the need for additional bank borrowings. The increase in our total bank borrowings as at 31 December 2013 primarily reflected the financing of increased balances of inventories in connection with our production plan.

As at 30 April 2015, being the latest practicable date for our indebtedness statement, our bank borrowings were US\$19.2 million, of which US\$8.5 million, or 44.3%, was secured. The increase in our bank borrowings as at 30 April 2015 compared to as at 31 December 2014 primarily related to financing for operation use, such as purchase of raw materials. As at 30 April 2015, the total amount of our facilities available to be drawn down was US\$5.8 million, and except for potentially drawing down part or all of that amount, we currently do not have any plans to raise material external debt in the foreseeable future.

As at 30 April 2015, being the latest practicable date for our indebtedness statement, there were no material restrictive covenants relating to any of our outstanding debts that would restrict the conduct of the ordinary course of business. Our Directors confirm that we had no material defaults in payment of bank borrowings, and/or breaches of finance covenants during the Track Record Period and up to the Latest Practicable Date.

Amounts Due To Our Immediate Holding Company

Amounts due to our immediate holding company, CPP, were US\$48.5 million, US\$39.6 million and nil as at 31 December 2012, 2013 and 2014, respectively. As at 30 April 2015, being the latest practicable date for our indebtedness statement, net amounts due to our immediate holding company were US\$3.5 million. These current accounts are unsecured, they do not bear interest and do not have any fixed term of repayment.

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Contingent Liabilities

Our contingent liabilities include guarantees given in respect of indebtedness of our joint venture and were US\$2.8 million, nil and nil as at 31 December 2012, 2013 and 2014, respectively.

As at 30 April 2015, we did not have any material contingent liabilities.

Off-balance Sheet Commitments and Arrangements

As of the Latest Practicable Date, we had not entered into any other off-balance sheet transactions.

Disclaimer

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the Latest Practicable Date, we did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

CAPITAL EXPENDITURE

Our capital expenditures during the Track Record Period were primarily used for purchases of property, plant and equipment, and land lease prepayments.

Our total capital expenditure was US\$9.4 million, US\$10.6 million, and US\$4.8 million in the financial years 2012, 2013 and 2014, respectively. The capital expenditure for the year ended 31 December 2012 was mainly incurred for the construction of new factories and acquisition of machinery for the relocation of manufacturing facilities of Pucheng Chia Tai. Our capital expenditure in the financial year 2013 was mainly the prepayment made by us for the acquisition of the land use right of the new factories of Pucheng Chia Tai. Our capital expenditure in the financial year 2014 was mainly additions for existing factories and construction of new factories of Pucheng Chia Tai. As of 30 April 2015, we had incurred US\$1.0 million of capital expenditures for 2015.

We expect to keep funding our capital expenditures with cash generated from our operating activities and available banking facilities. Our estimated cash payments in relation to capital expenditures are US\$13.2 million for the year ending 31 December 2015.

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OTHER CONTRACTUAL OBLIGATIONS AND COMMITMENTS

In addition to the payment obligations under our borrowings set forth above, we also have continuing obligations to make payments relating to operating leases, and payments relating to certain buildings, machinery and equipment and land use rights, as well as our investments in our joint venture.

With respect to operating leases, the main recurring charge is our rental expenses. Future minimum operating lease payments as at 31 December 2014 under non-cancellable operating leases were not material (US\$0.02 million). These payments all fall due within one year.

We have also entered into a number of agreements relating principally to the acquisition or construction of buildings, machinery and equipment and land use rights, as further detailed in the below table:

	As at 31 December		
	2012	2013	2014
	(in US\$ thousands)		
Capital commitments			
<i>Contracted, but not provided for</i>			
Land use right	–	1,330	–
Buildings, plant and machinery	2,703	1,876	1,564
Total capital commitments.	2,703	3,206	1,564

In addition, our share of capital commitments of our joint venture were US\$0.6 million, US\$0.1 million and US\$0.1 million as at 31 December 2012, 2013 and 2014, respectively, corresponding to our share of capital commitments of our joint venture.

CERTAIN FINANCIAL RATIOS

The following table sets forth certain financial ratios as at the end of each financial year indicated:

	Year Ended 31 December		
	2012	2013	2014
Return on equity ⁽¹⁾	25.1%	24.8%	14.1%
Return on total assets ⁽²⁾	13.6%	15.4%	11.4%
Current ratio ⁽³⁾	92.7%	108.8%	182.8%
Debt to equity ratio ⁽⁴⁾	n.a. ⁽⁶⁾	9.0%	0.8%
Gearing ratio ⁽⁵⁾	11.5%	16.8%	10.9%

Notes:

(1) Return on equity equals profit for the year as a percentage of total equity as at the end of the relevant reporting period.

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- (2) Return on total assets equals profit for the year as a percentage of total assets as at the end of the relevant reporting period.
- (3) Current ratio equals total current assets as at the end of the relevant reporting period as a percentage of total current liabilities as at the end of the relevant reporting period.
- (4) Debt to equity ratio equals net debt as at the end of the relevant reporting period as a percentage of total equity as at the end of the relevant reporting period; net debt equals total bank borrowings as at the end of the relevant reporting period less cash and cash equivalents as at the end of the relevant reporting period.
- (5) Gearing ratio equals total borrowings as at the end of the relevant reporting period as a percentage of total equity as at the end of the relevant reporting period.
- (6) Net cash position as at the end of the relevant reporting period.

Return on Equity

As at 31 December 2012, 2013 and 2014, our return on equity was 25.1%, 24.8% and 14.1%, respectively. The variations in our return on equity are primarily derived from changes in our profit levels. The primary driver of changes to our total equity during the Track Record Period has been retained earnings.

Return on Total Assets

As at 31 December 2012, 2013 and 2014, our return on total assets was 13.6%, 15.4% and 11.4%, respectively. The primary driver of the changes in return on total assets during the Track Record Period has been changes in our profit levels.

Current Ratio

As at 31 December 2012, 2013 and 2014, our current ratio was 92.7%, 108.8% and 182.8%, respectively. Please see “Financial Information – Net Current Assets” above for further details of changes in our current assets and liabilities during the Track Record Period.

Debt to Equity Ratio

As at 31 December 2013 and 2014, our debt to equity ratio was 9.0% and 0.8%, respectively. As at 31 December 2012, we had a net cash position. The primary driver of changes to our indebtedness during the Track Record Period has been our bank borrowings. Please see “Financial Information – Cash, Working Capital and Indebtedness – Indebtedness” above for further details of changes in our indebtedness during the Track Record Period.

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Gearing Ratio

As at 31 December 2012, 2013 and 2014, our gearing ratio was 11.5%, 16.8% and 10.9%, respectively. The primary driver of changes to our total equity during the Track Record Period has been the increase in retained earnings. The primary driver of changes to our indebtedness during the Track Record Period has been our bank borrowings. Please see “Financial Information – Cash, Working Capital and Indebtedness – Indebtedness” above for further details of changes in our indebtedness during the Track Record Period.

We have included certain measures above that are not measures defined by IFRS. These include return on equity, return on total assets, current ratio, debt to equity ratio and gearing ratio (together, “**Non-IFRS Measures**”). We have included these measures because we believe that the presentation of these measures enhances an investor’s understanding of our financial performance. However, these measures should not be used instead of, or considered as alternatives to, our historical financial results based on IFRS and are not meant to be predictive of future performance or results. We also believe these Non-IFRS Measures are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. Non-IFRS Measures may not be comparable to similarly titled measures reported by other companies. These Non-IFRS Measures are not presented in accordance with IFRS and our use of the terms “return on equity,” “return on total assets,” “current ratio,” “debt to equity ratio,” or “gearing ratio” may vary from others in our industry. These Non-IFRS Measures have limitations as an analytical tool, and should not be considered in isolation, or as a substitute for, financial information as reported under IFRS.

RELATED PARTY TRANSACTIONS

We entered into certain related party transactions during the Track Record Period. Further information on these transactions is set forth in the section headed “Connected Transactions” and Part B, Note 33 to our combined financial information included in “Appendix I – Accountants’ Report” to this listing document. Our Directors are of the view that these transactions were carried out in the ordinary and usual course of business and on normal commercial terms and on arm’s length basis.

SUBSEQUENT EVENTS

After 31 December 2014, being the date up to which our latest combined statement of financial position was prepared, the following events have taken place:

(a) Distribution of dividends by Chia Tai Huazhong and Chia Tai Pucheng to CPP

On 30 April 2015, Chia Tai Huazhong and Chia Tai Pucheng declared interim dividends for the year ending 31 December 2015 of US\$2,010,000 and US\$2,161,000 respectively to CPP.

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(b) Acquisition of Chia Tai Huazhong and Chia Tai Pucheng by the Company pursuant to the Reorganisation

On 11 June 2015, the Company acquired the entire equity interests of Chia Tai Pucheng and Chia Tai Huazhong from CPP at a consideration of HK\$118,715,551.85 (equivalent to US\$15,316,949.9). The consideration payable was recorded as deemed distributions to CPP on the same date.

(c) Offsetting of the balances due from/to CPP

On 11 June 2015, the balance due from CPP and the balance due to CPP (including the payables as detailed in paragraphs (a) and (b) above) amounted to US\$678,568.7 and US\$4,171,000 respectively. The entire balance due from CPP was offset by the balance due to CPP of the same amount. The offsetting of balances due from/to CPP described above has no effect on the Group's net assets and net tangible assets.

(d) Capitalisation Issue

By a shareholder's resolution dated 5 June 2015, conditional on Stock Exchange granting approval for the Listing, the sole shareholder of the Company resolved that the Company would issue up to 228,766,372 Ordinary Shares and 12,610,777 Preference Shares to CPP by capitalising (i) the balance due to CPP arising from the consideration payable of US\$15,316,949.9 pursuant to the Reorganisation as detailed in paragraph (b) above, (ii) the remaining net amount due to CPP of US\$3,492,431.3 as of 11 June 2015 as details in paragraph (c) above, and (iii) up to the amount of US\$5,328,333.7 out of its retained profits.

The distribution of interim dividends to CPP, deemed distributions to CPP in connection with the consideration payable under the Reorganisation and the capitalisation of the net amount due to CPP described above have the net effect of decreasing the Group's net assets and net tangible assets by US\$678,568.7.

Please see Part B, Note 35 to our combined financial information included in "Appendix I – Accountants' Report" for further information on these events.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT CREDIT, LIQUIDITY AND MARKET RISKS

Market Risks

Interest Rate Risk Exposure

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our exposure to interest rate risk primarily relates to our debt obligations. As at 31 December 2014, the total carrying amount of our financial instruments that are subject to floating interest rates was US\$10.5

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million. We do not use derivative financial instruments to hedge our debt obligations. However, we regularly monitor our exposure to interest rate risk and may consider the use of derivative instruments if deemed appropriate in the future. Our exposure to risks relating to changes in interest rates in respect of cash and cash equivalents is considered minimal.

Assuming that the amounts of debt and financial instruments shown in the combined statement of financial position as at 31 December 2014 remain constant during the year, a 100 basis points interest rate increase at the year-end would result in a decrease of US\$0.1 million in our profit after tax and equity; a 100 basis points interest rate decrease at the year-end would result in an increase of US\$0.1 million in our profit after tax and equity. See Part B, Note 34(a) to our combined financial information included in “Appendix I – Accountants’ Report” for further information on this sensitivity analysis.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. We are exposed to credit risk from our operating activities (primarily in connection with trade receivables) and from our financing activities (including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments).

Credit Risk Related to Receivables

We consider our credit risk associated with trade receivables relatively minimal due to our large customer base and the geographical dispersion of our customers. We perform ongoing credit evaluations of our customers’ financial conditions. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Credit Risk Related to Financial Instruments and Cash Deposits

We place our cash deposits with major banks and financial institutions. The majority of cash generated from sales is maintained with major banks in the PRC. This cash management policy limits our exposure to concentration of credit risk.

Foreign Currency Risk Exposure

We prepare our financial statements in US\$. Our businesses are principally operated in the PRC and substantially all transactions are denominated in RMB. In addition, sales by our subsidiaries, our joint venture and our associated company operating in the PRC are primarily denominated in RMB and US\$. Corresponding revenues and profits are thus predominantly denominated in RMB and US\$. For certain of our subsidiaries, our joint venture and our associated company, however, funds denominated in RMB may have to be, and from time to time are, converted into US\$ or other foreign currencies for the purchase of imported materials and equipment.

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We have interest-bearing bank borrowings denominated both in RMB and US\$. As at 31 December 2014, the total carrying amount of bank borrowings denominated in RMB was US\$18.3 million and the total carrying amount of bank borrowings denominated in US\$ was nil.

The RMB is not freely convertible into foreign currencies. All foreign exchange transactions are conducted at the exchange rates quoted by the People's Bank of China. Payments for imported materials and the remittance of earnings outside the PRC are subject to the availability of foreign currencies.

Should the RMB appreciate or depreciate against the US\$, this may increase or reduce the foreign currency equivalent of our subsidiaries', joint venture's and associated company's earnings that may be available to us for distribution.

The table below summarises the sensitivity of our profit or loss account (before tax) and equity (excluding retained profits) to a +/-3% change in the RMB foreign exchange rate against the US\$ computed based on our net exposure to foreign exchange rate fluctuations as at 31 December 2014:

	As at 31 December 2014
	Variation
	(in US\$ thousands)
<u>Depreciation of the US\$ against the RMB by 3%</u>	
Profit before tax impact	(506)
Equity impact	(430)
<u>Appreciation of the US\$ against the RMB by 3%</u>	
Profit before tax impact	506
Equity impact	430

We do not use derivative financial instruments to hedge our exposure to foreign exchange rates. However, we regularly monitor such exposure and may consider the use of appropriate hedging strategies which might involve the use of derivative instruments if deemed appropriate in the future.

Raw Material Price Risk Exposure

We are exposed to fluctuations in prices of raw materials we use for producing our CTC products, mainly corn starch.

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The table below summarises the sensitivity of our profit or loss account (after tax) to a +/-5% change in the prices of raw materials we paid in the financial year 2014. The below analysis assumes all other factors remained unchanged in the financial year 2014.

	Year Ended 31 December 2014
	Variation
	(in US\$ thousands)
<u>Decrease of the purchase prices of raw materials used for our CTC products by 5%</u>	
Profit after tax impact	1,705
<u>Increase of the purchase prices of raw materials used for our CTC products by 5%</u>	
Profit after tax impact	(1,705)

During the Track Record Period, managing the impact of increases in the prices of raw materials we use for producing our CTC products has been limited to our pricing policy, as we generally attempt to reflect these increases (fully or partially) in the selling prices of our CTC products. We do not use derivative financial instruments for hedging our exposure to fluctuations in prices of raw materials. See “Financial Information – Key Factors Affecting our Results of Operations and Financial Condition – Prices of Raw Materials Used for Producing our CTC Products”.

Liquidity Risk

When managing our exposure to liquidity risk, our objective is to maintain a balance between funding continuity and flexibility through the use of various types of bank borrowings. We monitor current and expected liquidity requirements to ensure that we maintain sufficient reserves of cash and bank facilities to meet our liquidity requirements. Except for our bank loans, the contractual undiscounted cash outflows of all our financial liabilities as at 31 December 2014 are due within one year or on demand and equal their carrying value at each of the year end date, based on the earliest date the Group and the Company may be required to pay.

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The following table presents an analysis of the remaining contractual maturities of the Group's bank borrowings as at 31 December 2014, based on anticipated contractual cash payments, including interest payables, on an undiscounted basis:

<u>Contractual undiscounted cash outflows relating to bank borrowings</u>	<u>As at 31 December 2014</u>
	(in US\$ thousands)
Within 1 year.	16,304
1 to 2 years	1,333
2 to 5 years	1,247
Total	<u><u>18,884</u></u>

DIVIDENDS POLICY

After completion of the Listing, our Shareholders will be entitled to receive dividends we declare. Our Directors are responsible for submitting proposals in respect of dividend payments, if any, to the Shareholders' General Meeting for approval. Any approved declaration of dividends must not exceed the amount recommended by our Board. Whether we pay a dividend and in what amount is based on our results of operations, cash flows, financial condition, cash dividends we receive from our subsidiaries, future business prospects, statutory and regulatory restrictions on the payment of dividends by us and other factors that our Directors deem relevant. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends, if any, may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Board.

As we are a holding company, our ability to declare and pay dividends will depend on receipt of sufficient funds from our subsidiaries, joint venture and associated company. These entities must comply with their respective constitutional documents, the laws and regulations of their respective jurisdiction of incorporation and any applicable contractual restrictions (if any) in declaring and paying such dividends to us.

DIVIDENDS AND DISTRIBUTABLE RESERVES

Dividends

Except for a dividend of US\$10.0 million declared by Chia Tai Huazhong to CPP on 31 October 2012 and dividends of US\$5.8 million and US\$4.0 million declared by Chia Tai Huazhong and Chia Tai Pucheng respectively to CPP on 31 August 2014, no other dividends were declared by the companies now comprising the Group to their then respective shareholders during the Track Record Period. An aggregate dividend of US\$4.2 million was declared by Chia Tai Huazhong and Chia Tai Pucheng to CPP before the Capitalisation Issue on 11 June 2015.

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Distributable Reserves

Subject to our bye-laws, as referred to in the paragraph under the heading “Dividends and Other Methods of Distribution” in “Appendix II – Summary of the Constitution of the Company and Bermuda Company Law” to this listing document, we may pay dividends out of our retained profits. Our ability to distribute dividends depends on, among other factors, the available balance of retained profits and distributable profits and our cash flows.

As at 31 December 2014, being the date to which our latest combined financial information was prepared, our reserves for distribution to our shareholders amounted to US\$21.7 million.

LISTING EXPENSES

The estimated total listing expenses incurred in relation to the Listing are approximately US\$6.7 million of which US\$5.5 million were charged to our combined statement of comprehensive income for the financial year 2014 and the remaining US\$1.2 million will be charged to our combined statement of comprehensive income for the financial year 2015. See “Financial Information – Comparison of our results of operations for the financial years 2014 and 2013 – General and Administrative Expenses”. These listing expenses are mainly comprised of professional fees paid/payable to the parties involved in the Listing for their services rendered for the purpose of the Listing.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, save as disclosed under “Financial Information – Recent Developments” in this listing document, there has not been any material adverse change in our financial or trading position or prospects since 31 December 2014 (being the date to which our latest combined financial information has been prepared) up to the date of this listing document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Except as disclosed in this listing document, our Directors have confirmed that as at the Latest Practicable Date, they are not aware of any circumstances that would give rise to a disclosure under Rules 13.13 to 13.19 of Chapter 13 of the Listing Rules.

FUTURE PLANS AND PROSPECTS

Our objective is to maintain our leading position in the biochemical industry by leveraging our competitive edge and seek to maintain the market position of the industrial business operated by the joint venture and the associated company in which we hold significant interests. For a detailed description of our future plans, please see the section headed “Business – Business Strategies” in this listing document.

The following is the text of a report received from KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, for the purpose of incorporation in this listing document.



8th Floor,
Prince's Building
10 Chater Road
Central,
Hong Kong

17 June 2015

The Directors
Chia Tai Enterprises International Limited

UBS Securities Hong Kong Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Chia Tai Enterprises International Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) comprising the combined statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2012, 2013 and 2014 and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group, for each of the years ended 31 December 2012, 2013 and 2014 (the “Relevant Periods”), together with the explanatory notes thereto (the “Financial Information”), for inclusion in the listing document of the Company dated 17 June 2015 (the “Listing Document”).

The Company was incorporated in Bermuda on 16 October 1987 as an exempted company with limited liability under Bermuda Companies Act 1981. Pursuant to a group reorganisation completed on 11 June 2015 (the “Reorganisation”) as detailed in the section headed “History and Corporate Structure” in the Listing Document, the Company became the holding company of the companies now comprising the Group, details of which are set out in note l(b) of Section B below.

All companies now comprising the Group have adopted 31 December as their financial year end date. Details of the companies comprising the Group that are subject to audit during the Relevant Periods and the names of the respective auditors are set out in note l(b) of Section B. The statutory financial statements of these companies were prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”), Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) or the relevant accounting rules and regulations applicable to entities in the People’s Republic of China (the “PRC”).

The directors of the Company have prepared the combined financial statements of the Group for the Relevant Periods (the “Underlying Financial Statements”) on the same basis as used in the preparation of the Financial Information set out in Section B below. The Underlying Financial Statements for each of the years ended 31 December 2012, 2013 and 2014 were audited by us under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared by the directors of the Company for inclusion in the Listing Document in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with IFRSs issued by the IASB and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline “Prospectuses and the Reporting Accountant” (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 31 December 2014.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report and on the basis of preparation set out in note 1(b) of Section B below, a true and fair view of the state of affairs of the Group and the Company as at 31 December 2012, 2013 and 2014 and the Group's combined results and cash flows for the Relevant Periods then ended.

A COMBINED FINANCIAL INFORMATION OF THE GROUP

1 Combined statements of comprehensive income

	Section B Note	Year ended 31 December		
		2012	2013	2014
		US\$'000	US\$'000	US\$'000
Revenue	4	132,274	122,219	117,131
Cost of sales		(92,659)	(85,449)	(79,445)
Gross profit		39,615	36,770	37,686
Other income, net	5	7,630	1,024	1,106
Selling and distribution costs		(6,154)	(5,874)	(7,280)
General and administrative expenses		(12,371)	(13,053)	(22,772)
Finance costs	6	(408)	(841)	(1,200)
Share of profits and losses of:				
Joint venture		1,815	13,699	11,640
Associate	17(a)	2,978	3,546	8,646
Profit before tax	7	33,105	35,271	27,826
Income tax	10	(8,541)	(1,885)	(4,226)
Profit for the year		24,564	33,386	23,600
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss including reclassification adjustments:				
Exchange differences on translation of foreign operations		–	2,829	(865)
Share of other comprehensive income of:				
Joint venture		–	2,273	(1,127)
Associate	17(a)	–	488	(260)
Deregistration of a subsidiary		–	–	(225)
Other comprehensive income for the year		–	5,590	(2,477)
Total comprehensive income for the year		24,564	38,976	21,123
Profit attributable to:				
Shareholder of the Company		17,714	27,790	19,430
Non-controlling interests		6,850	5,596	4,170
		24,564	33,386	23,600
Total comprehensive income attributable to:				
Shareholder of the Company		17,714	32,654	17,179
Non-controlling interests		6,850	6,322	3,944
		24,564	38,976	21,123
Earnings per share attributable to shareholder of the Company				
Basic and diluted	12	N/A	N/A	N/A

The accompanying notes form part of the Financial Information.

2 Combined statements of financial position

	Section B Note	As at 31 December		
		2012	2013	2014
		US\$'000	US\$'000	US\$'000
Non-current assets				
Property, plant and equipment	13	51,950	53,348	51,834
Land lease prepayments	14	721	1,077	1,038
Investment in joint venture	16	43,959	59,931	70,444
Investment in associate	17	11,325	13,816	19,013
Other non-current assets	18	2,566	7,689	7,469
Total non-current assets		110,521	135,861	149,798
Current assets				
Inventories	19	11,797	20,241	14,928
Trade and bills receivables	20	13,265	18,162	18,788
Prepayments, deposits and other receivables	21	29,368	31,429	6,337
Cash and cash equivalents	22	15,400	10,491	16,985
Total current assets		69,830	80,323	57,038
Current liabilities				
Trade payables	23	6,099	7,578	4,884
Other payables and accruals	24	59,655	46,758	10,195
Bank borrowings	25	8,610	18,967	15,855
Income tax payables		926	501	273
Total current liabilities		75,290	73,804	31,207
Net current (liabilities)/assets		(5,460)	6,519	25,831
Total assets less current liabilities		105,061	142,380	175,629
Non-current liabilities				
Bank borrowings	25	2,704	3,687	2,417
Other non-current liabilities	26	1,204	1,083	2,819
Deferred tax liabilities	27	3,097	2,997	2,441
Total non-current liabilities		7,005	7,767	7,677
NET ASSETS		98,056	134,613	167,952
EQUITY				
Equity attributable to shareholder of the Company				
Capital	28	1,195	1,195	1,195
Reserves	29	76,343	108,997	146,477
		77,538	110,192	147,672
Non-controlling interests		20,518	24,421	20,280
TOTAL EQUITY		98,056	134,613	167,952

The accompanying notes form part of the Financial Information.

3 Statements of financial position

	Section B Note	As at 31 December		
		2012	2013	2014
		US\$'000	US\$'000	US\$'000
NON-CURRENT ASSETS				
Investments in subsidiaries	15	12,784	12,866	8,337
CURRENT ASSETS				
Prepayments, deposits and other receivables	21	30,965	23,321	6,723
Cash and cash equivalents	22	12	–	10,410
Total current assets		30,977	23,321	17,133
CURRENT LIABILITIES				
Other payables and accruals	24	38,769	32,044	2,569
Net current (liabilities)/assets		(7,792)	(8,723)	14,564
NET ASSETS		4,992	4,143	22,901
EQUITY				
Capital	28	1,195	1,195	1,195
Reserves	29(e)	3,797	2,948	21,706
TOTAL EQUITY		4,992	4,143	22,901

The accompanying notes form part of the Financial Information.

4 Combined statements of changes in equity

For the year ended 31 December 2012

Section B Note	Attributable to shareholder of the Company						Non- controlling interests	Total equity
	Capital	Capital reserve	PRC reserve funds	Exchange fluctuation reserve	Retained profits	Total		
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000		
	(note 28)	(note 29(b))	(note 29(c))	(note 29(d))				
At 1 January 2012	1,195	(3,618)	6,328	13,169	52,750	69,824	16,033	85,857
Profit for the year	-	-	-	-	17,714	17,714	6,850	24,564
Total comprehensive income for the year	-	-	-	-	17,714	17,714	6,850	24,564
Dividend declared 11	-	-	-	-	(10,000)	(10,000)	-	(10,000)
Dividends paid to non-controlling equity holders	-	-	-	-	-	-	(2,365)	(2,365)
Appropriation to PRC reserve funds	-	-	715	-	(715)	-	-	-
At 31 December 2012	1,195	(3,618)	7,043	13,169	59,749	77,538	20,518	98,056

For the year ended 31 December 2013

Section B Note	Attributable to shareholder of the Company						Non- controlling interests	Total equity
	Capital	Capital reserve	PRC reserve funds	Exchange fluctuation reserve	Retained profits	Total		
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000		
	(note 28)	(note 29(b))	(note 29(c))	(note 29(d))				
At 1 January 2013	1,195	(3,618)	7,043	13,169	59,749	77,538	20,518	98,056
Profit for the year	-	-	-	-	27,790	27,790	5,596	33,386
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations	-	-	-	2,103	-	2,103	726	2,829
Share of other comprehensive income of:								
Joint venture	-	-	-	2,273	-	2,273	-	2,273
Associate	-	-	-	488	-	488	-	488
Total comprehensive income for the year	-	-	-	4,864	27,790	32,654	6,322	38,976
Dividends paid to non-controlling equity holders	-	-	-	-	-	-	(2,419)	(2,419)
Appropriation to PRC reserve funds	-	-	4,215	-	(4,215)	-	-	-
At 31 December 2013	1,195	(3,618)	11,258	18,033	83,324	110,192	24,421	134,613

For the year ended 31 December 2014

	Section B Note	Attributable to shareholder of the Company					Total	Non- controlling interests	Total equity
		Capital	Capital reserve	PRC reserve funds	Exchange fluctuation reserve	Retained profits			
		US\$'000 (note 28)	US\$'000 (note 29(b))	US\$'000 (note 29(c))	US\$'000 (note 29(d))	US\$'000			
At 1 January 2014		1,195	(3,618)	11,258	18,033	83,324	110,192	24,421	134,613
Profit for the year		-	-	-	-	19,430	19,430	4,170	23,600
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations		-	-	-	(639)	-	(639)	(226)	(865)
Share of other comprehensive income of:									
Joint venture		-	-	-	(1,127)	-	(1,127)	-	(1,127)
Associate		-	-	-	(260)	-	(260)	-	(260)
Deregistration of a subsidiary		-	-	(13)	(225)	13	(225)	-	(225)
Total comprehensive income for the year		-	-	(13)	(2,251)	19,443	17,179	3,944	21,123
Dividends declared	11	-	-	-	-	(9,813)	(9,813)	-	(9,813)
Dividends paid to non-controlling equity holders		-	-	-	-	-	-	(8,064)	(8,064)
Appropriation to PRC reserve funds		-	-	908	-	(908)	-	-	-
Change in non-controlling interests		-	-	3	3	15	21	(21)	-
Deemed contribution arising from Reorganisation	1(b)	-	30,093	-	-	-	30,093	-	30,093
At 31 December 2014		1,195	26,475	12,156	15,785	92,061	147,672	20,280	167,952

The accompanying notes form part of the Financial Information.

5 Combined statements of cash flows

	Section B Note	Year ended 31 December		
		2012	2013	2014
		US\$'000	US\$'000	US\$'000
Cash flows from operating activities				
Profit before tax		33,105	35,271	27,826
Adjustments for:				
Bank and other interest income	5	(533)	(251)	(83)
Gain on factories relocation	5	(6,152)	–	–
Amortisation of government grant		(162)	(164)	(172)
Finance costs	6	408	841	1,200
Write down of inventories	7	–	–	309
Depreciation of property, plant and equipment . . .	7	5,615	5,134	5,437
Amortisation of land lease prepayments	7	40	46	34
(Gain)/loss on disposal of property, plant and equipment, net.	7	(126)	718	151
Gain on deregistration of a subsidiary	5	–	–	(225)
Share of profits and losses of:				
Joint venture		(1,815)	(13,699)	(11,640)
Associate		(2,978)	(3,546)	(8,646)
Operating profit before changes in working capital.		27,402	24,350	14,191
(Increase)/decrease in inventories		(1,967)	(8,055)	4,710
Increase in trade and bills receivables		(1,689)	(4,511)	(944)
Decrease in prepayments, deposits and other receivables		17,552	744	4,751
Increase/(decrease) in trade payables		967	1,020	(2,585)
(Decrease)/increase in other payables and accruals.		(19,248)	(13,283)	2,659
Cash generated from operations		23,017	265	22,782
Interest paid		(511)	(946)	(1,342)
Income tax paid		(6,759)	(3,006)	(4,558)
Net cash generated from/(used in) operating activities		15,747	(3,687)	16,882
Cash flows from investing activities				
Purchases of property, plant and equipment		(8,431)	(5,202)	(4,800)
Prepayment for acquisition of land use right		(945)	(5,395)	–
Government grant received		632	–	1,942
Receipt from PRC government on factories relocation		1,262	–	–
Dividends received from associate		5,502	–	1,726
Proceeds from disposal of property, plant and equipment		280	88	32
Interest received		533	251	83
Net cash flows used in investing activities		(1,167)	(10,258)	(1,017)

	Section B Note	Year ended 31 December		
		2012	2013	2014
		US\$'000	US\$'000	US\$'000
Cash flows from financing activities				
Proceeds from bank borrowings		33,878	37,771	18,142
Repayment of bank borrowings		(31,237)	(26,797)	(22,171)
Dividend paid.		(10,000)	–	–
Dividends paid to non-controlling equity holders . .		(2,365)	(2,419)	(5,203)
Net cash flows (used in)/generated from financing activities		<u>(9,724)</u>	<u>8,555</u>	<u>(9,232)</u>
Net increase/(decrease) in cash and cash equivalents.				
Cash and cash equivalents at beginning of year .		10,544	15,400	10,491
Effect of foreign exchange rate changes, net . . .		–	481	(139)
Cash and cash equivalents at end of year		<u>15,400</u>	<u>10,491</u>	<u>16,985</u>

Non-cash transaction for the year ended 31 December 2014

The amount due from CPP Group of US\$49,456,000, (including the consideration receivable in relate to the transfer of equity interest of Ek Chor Investment Company Limited (“Ek Chor Investment”) and loan assignment of US\$41,500,000 as disclosed in note 1(b)) was offset with the amount due to CPP Group of US\$49,456,000 during the year ended 31 December 2014.

The accompanying notes form part of the Financial Information.

B NOTES TO COMBINED FINANCIAL INFORMATION**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****(a) Statement of compliance**

The Financial Information set out in this report has been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which collective term includes International Accounting Standards (“IASs”) and related interpretations, issued by the International Accounting Standards Board (“IASB”). Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing the Financial Information, the Group has adopted all applicable new and revised IFRSs to each of the years ended 31 December 2012, 2013 and 2014 except for any new standards or interpretations that are not yet effective for the accounting period beginning on 1 January 2014. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2014 are set out in note 36.

The Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

(b) Basis of preparation and presentation

The Financial Information comprises the Company and its subsidiaries and has been prepared using the merger basis of accounting as if the Group had always been in existence as further described below.

The Company was incorporated in Bermuda on 16 October 1987 with limited liability, which is a direct wholly owned subsidiary of C.P. Pokphand Co. Ltd. (“CPP”, together with its subsidiaries, joint ventures and associates, the “CPP Group”), a company whose shares are listed on the Main Board of the Stock Exchange. As at 31 December 2012, 2013 and 2014, CPP’s immediate holding company is Charoen Pokphand Foods Public Company Limited (“CPF”), which is incorporated in the Kingdom of Thailand and the shares of which are listed on the Stock Exchange of Thailand. CPF is a significantly owned company of Charoen Pokphand Group Company Limited (“CPG”), which is incorporated in the Kingdom of Thailand.

The Group and its joint venture and associate are engaged in the (i) manufacturing and sale of chlortetracycline products; (ii) trading of machinery; and (iii) manufacturing and sale of automotive parts (collectively, the “Core Operations”).

During the Relevant Periods, the Core Operations of the Group were conducted through the Company’s subsidiaries, joint venture and associate and through Chia Tai Pucheng Biochemistry Limited (“Chia Tai Pucheng”) and Chia Tai Huazhong Biochemistry Limited (“Chia Tai Huazhong”) and their subsidiaries (collectively, the “Chia Tai Entities”) which were indirectly owned subsidiaries and controlled by CPP.

As part of the Reorganisation, the details of which are described in the section headed “History and Corporate Structure” in the Listing Document, the Company acquired the entire equity interests of Chia Tai Pucheng and Chia Tai Huazhong from CPP on 11 June 2015 for a total consideration of HK\$118,715,551.85 (equivalent to US\$15,316,949.9). As the Company and the Chia Tai Entities that took part in the Reorganisation were controlled by CPP during the entire Relevant Periods both before and after the Reorganisation, there was a continuation of risks and benefits to CPP and the Reorganisation has been accounted for as a restructuring of entities under common control in accordance with the principles of merger basis of accounting. For the purpose of preparation of the Financial Information of Group, the net assets of combining entities are combined using the existing book values from CPP’s perspective. As detailed in note 35(b), the total consideration of HK\$118,715,551.85 (equivalent to US\$15,316,949.9) in connection with the acquisitions of the Chia Tai Entities from CPP are recorded within equity as deemed distributions arising from the Reorganisation on 11 June 2015.

During the Relevant Periods, the Company held a 55% indirect equity interest in Luoyang Northern Ek Chor Motorcycle Company Limited (“Luoyang Motorcycle”) through its wholly owned investment holding company, Ek Chor Investment Company Limited (“Ek Chor Investment”). Luoyang Motorcycle is engaged in the motorcycle business. As part of the Reorganisation, the Company transferred its entire equity interest in

Ek Chor Investment, 55% indirect equity interest in Luoyang Motorcycle and an interest-free shareholder loan to Ek Chor Investment of US\$11,407,000 to Rapid Thrive Limited, a subsidiary of CPP, at a consideration of US\$41,500,000 on 12 May 2014. The Financial Information excludes the Company's interests in Ek Chor Investment and Luoyang Motorcycle, whose businesses are maintained by separate management personnel within the CPP Group and are, in the opinion of the directors of the Company, clearly delineated from the Core Operations of the Group. The difference between the consideration of US\$41,500,000 and the loan assignment of US\$11,407,000, being US\$30,093,000 is recorded within equity as a deemed contribution as at 12 May 2014 arising from the Reorganisation. The consideration receivable was offset with the amount due to CPP Group during the year ended 31 December 2014.

The combined statements of comprehensive income, combined statements of changes in equity and the combined statements of cash flows of the Group as set out in Section A include the results of operations of the entities now comprising the Group for the Relevant Periods (or where the entity was incorporated or established at a date later than 1 January 2012, for the period from the date of incorporation or establishment to 31 December 2014) as if the Reorganisation was completed at the beginning of the Relevant Periods. The combined statements of financial position of the Group as at 31 December 2012, 2013 and 2014 as set out in Section A have been prepared to present the combined state of affairs of the entities now comprising the Group as at the respective dates as if the Reorganisation was completed at the beginning of the Relevant Periods.

During the Relevant Periods and as of the date of this report, the Company has direct or indirect interests in the following subsidiaries, which are private companies. The particulars of the subsidiaries are set out below:

Company name	Place and date of incorporation/ registration and operations	Authorised/ registered/ paid-up capital	Equity attributable to the Company		Principal activities	Name of statutory auditors (Note)
			Direct	Indirect		
Chia Tai Pucheng	Hong Kong/ Hong Kong/ 14 March 1986	10,000 shares	100%	–	Investment holding	(vi)
Chia Tai Huazhong	Hong Kong/ Hong Kong/ 11 December 2007	1 share	100%	–	Investment holding	(vi)
Pucheng Chia Tai Biochemistry Co., Ltd. ("Pucheng Chia Tai") (Notes (i) and (ii)) 浦城正大生化有限公司	PRC/Mainland China/ 24 August 1995	Registered and paid up capital of RMB189,890,000	–	69.74%	Manufacturing and sale of chlortetracycline	(vii)
Zhumadian Huazhong Chia Tai Co., Ltd. ("Zhumadian Huazhong") (Notes (i) and (v)) 駐馬店華中正大有限公司	PRC/Mainland China/ 13 December 1995	Registered and paid up capital of RMB72,000,000	–	69.74%	Manufacturing and sale of chlortetracycline	(viii)
Zhumadian Huazheng Property Co. Ltd. (Notes (i) and (iv)) 駐馬店市華正置業有限公司	PRC/Mainland China/ 17 December 2013	Registered and paid up capital of RMB10,000,000	–	69.74%	Inactive	(ix)
C.P. Enterprises Limited	Hong Kong/ Hong Kong/ 6 September 1983	27,800,000 shares	100%	–	Investment holding	(vi)
ECI Machinery Co., Ltd.	British Virgin Islands/ Hong Kong/ 5 February 1999	Authorised 50,000 ordinary shares and fully paid up 1 ordinary share of US\$1 each	–	100%	Investment holding	(x)

Company name	Place and date of incorporation/ registration and operations	Authorised/ registered/ paid-up capital	Equity attributable to the Company		Principal activities	Name of statutory auditors (Note)
			Direct	Indirect		
Shanghai C.P. Industrial Trading Co., Ltd. (Notes (i) and (iii)) 上海卜峰工業貿易有限公司 (formerly known as Shanghai Ek Chor Industrial Trading Co. Ltd. 上海易初工業貿易有限公司)	PRC/Mainland China/ 23 November 2005	Registered and paid up capital of US\$200,000	-	100%	Inactive	(xi)
Golden Industrial Investment Limited	Hong Kong/ Hong Kong/ 11 December 2007	1 share	100%	-	Investment holding	(vi)
Guangdong Thai Thong Investment Co., Ltd. (Notes (i) and (iii)) 廣東泰通投資有限公司	PRC/Mainland China/ 16 December 2010	Registered capital of US\$30,000,000 and paid up capital of US\$4,500,000	-	100%	De-registered on 4 September 2014	(xii)

Notes:

- (i) The official name of the entity is in Chinese. The English name is for identification purpose only.
- (ii) Registered as a sino-foreign joint venture under the PRC law.
- (iii) Registered as a wholly foreign-owned enterprise under the PRC law.
- (iv) Registered as a limited liability company under the PRC law.
- (v) Registered as a foreign enterprise under PRC law.
- (vi) The financial statements of this company for the years ended 31 December 2012, 2013 and 2014 were prepared in accordance with Hong Kong Financial Reporting Standards and audited by KPMG.
- (vii) The financial statements of this company were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC and audited by Fujian Heyi Certified Public Accountants (福建和益有限責任會計師事務所) for the year ended 31 December 2012 and Pan-China Certified Public Accountants (天健會計師事務所) for the years ended 31 December 2013 and 2014.
- (viii) The financial statements of this company were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC and audited by Zhu Ma Dian Zheng Tai Certified Public Accountants Ltd (駐馬店市正泰會計師事務所有限公司) for the year ended 31 December 2012 and Pan-China Certified Public Accountants (天健會計師事務所) for the years ended 31 December 2013 and 2014.
- (ix) The financial statements of this company were prepared in accordance with Accounting Policies for Business Enterprises and Accounting Systems for Business Enterprises applicable to the enterprises in the PRC and audited by Henan Bangwei Accounting Firm (Ordinary Partner) (河南邦威會計師事務所(普通合夥)) for the year ended 31 December 2013. The financial statements for the year ended 31 December 2014 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC and audited by Zhu Ma Dian Zeng Tai Certified Public Accountants Ltd (駐馬店市正泰會計師事務所有限公司).
- (x) No statutory financial statements have been prepared for ECI Machinery Co., Ltd. for the three years ended 31 December 2014 as it is not subject to statutory audit requirement under the relevant rules and regulations in the jurisdiction of incorporation.
- (xi) The financial statements of this company were prepared in accordance with Accounting Policies for Business Enterprises and Accounting Systems for Business Enterprises applicable to the enterprises in the PRC and audited by Shanghai Hongyi CPA Co., Ltd. (上海弘益會計師事務所) for the years ended 31 December 2012, 2013 and 2014.
- (xii) The financial statements of this company were prepared in accordance with Accounting Standards for Business Enterprises and audited by Guangzhou Mingxin Certified Public Accountants Co.,

Ltd (廣州明信會計師事務所有限公司) for the year ended 31 December 2012. No audited financial statements were prepared for this company for the years ended 31 December 2013 and 2014 as it was under liquidation as at 31 December 2013. This company was deregistered on 4 September 2014.

(c) Basis of measurement

The Financial Information is presented in United States dollars (“US\$”), rounded to the nearest thousand, except as otherwise stated herein. The functional currency of the Company is Hong Kong dollars. The Financial Information has been prepared in United States dollars to conform with the reporting currency of CPP. The Financial Information is prepared on the historical cost basis.

(d) Use of estimates and judgements

The preparation of Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of IFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 2.

(e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

The income and expenses of a subsidiary are included in the Financial Information from the date that control commences until the date that control ceases. Merger accounting is adopted for common control combinations in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination and control is not transitory.

An investment in a subsidiary is combined into the Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the combined statement of financial position within equity, separately from equity attributable to the equity shareholder of the Company. Non-controlling interests in the results of the Group are presented on the face of the combined statements of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholder of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the combined statements of financial position in accordance with notes 1(l) or (m) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within combined equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 1(f)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(i)).

(f) Associate and joint venture

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the Financial Information under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(i)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised as other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associate and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

(g) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(i)):

- buildings held for own use which are situated on leasehold land classified as held under operating leases (see note 1(h)); and
- other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(t)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment to their estimated residual value over the estimated useful life. The principal annual rates used for this purpose are as follows:

– Industrial buildings	2% to 4.5%
– Plant and machinery	6% to 15%
– Furniture, fixtures and office equipment	10% to 33.33%
– Motor vehicles and transport facilities	9% to 33.33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Operating leases

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(i) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in associate and joint venture accounted for under the equity method in the combined financial statements (see note 1(f)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(i)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(i)(ii).
- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the

effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- pre-paid interests in leasehold land classified as being held under an operating lease; and
- investments in subsidiaries in the Company's statements of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(j) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(l) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(m) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(q)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the combined cash flow statements.

(o) Employee benefits***(i) Short term employee benefits and contributions to defined contribution retirement plans***

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantially enacted at the end of each reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Financial guarantees issued, provisions and contingent liabilities**(i) Financial guarantees issued**

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(q)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iv) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in

profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

For the purpose of presenting the Financial Information, the assets and liabilities of the entities now comprising the Group denominated in currencies other than US\$ are translated into US\$, the presentation currency of the Group, using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and in equity in exchange fluctuation reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(u) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has made the following accounting judgements and estimates:

(a) Depreciation of property, plant and equipment

The Group depreciates its property, plant and equipment on the straight-line basis over their estimated useful lives, and after taking into account of their estimated residual values, at rates ranging from 2% to 33.33% per annum, commencing from the date the property, plant and equipment are available for use. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

(b) Impairment of property, plant and equipment

The impairment loss for property, plant and equipment is recognised for the amount by which the carrying amount exceeds its recoverable amount when events or changes in circumstance indicate the carrying amounts may not be recoverable. The recoverable amount of the assets, or, where appropriate, the cash generating unit to which they belong, is the higher of its fair value less costs of disposal and value in use. The recoverable amounts are determined based on fair value less costs of disposal which are based on the best information available to reflect the amount obtainable at the reporting date, from the disposal of the asset in an arm's length transaction between knowledgeable and willing parties, after deducting the costs of disposal. For the estimation of value in use, the Group's management estimates future cash flows from the cash-generating units and chooses a suitable discount rate in order to calculate the present value of those cash flows.

(c) Write down of inventories

The management of the Group reviews the ageing analysis of its inventories at each reporting date, and makes allowance for obsolete and slow-moving inventory items. Management estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product by product basis at each reporting date and makes allowances for obsolete items.

(d) Impairment of trade receivables

The policy for provision for impairment loss of the Group's trade receivables is based on the evaluation of collectability and the ageing analysis of the trade receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables,

including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

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 operations segment engaged in the manufacture and sale of chlortetracycline products; and
- The industrial operations segment engaged in the trading of machinery and manufacture and sale of automotive parts.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources 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 and finance costs are excluded from such measurements.

Segment assets exclude cash and cash equivalents, income tax receivables and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude bank borrowings, income tax payables and deferred tax liabilities as these liabilities are managed on a group basis.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

(a) Reportable operating segments

The following tables present revenue, profit or loss for the years ended 31 December 2012, 2013 and 2014 and expenditure information and certain assets and liabilities as at 31 December 2012, 2013 and 2014 for the Group's reportable operating segments.

For the year ended 31 December 2012

	Biochemical operations	Industrial operations	Total
	US\$'000	US\$'000	US\$'000
Segment revenue			
Sales to external customers	132,274	–	132,274
Segment results			
The Group	30,173	(1,505)	28,668
Share of profits and losses of:			
Joint venture	–	1,815	1,815
Associate	–	2,978	2,978
	<u>30,173</u>	<u>3,288</u>	<u>33,461</u>
Reconciliation:			
Bank interest income			52
Finance costs			(408)
Profit before tax			<u>33,105</u>
Other segment information			
Depreciation and amortisation	5,645	10	5,655
Capital expenditure*	8,500	34	8,534
Addition of other non-current assets	945	–	945
	<u> </u>	<u> </u>	<u> </u>

* Capital expenditure consists of additions to property, plant and equipment.

At 31 December 2012

	Biochemical operations	Industrial operations	Total
	US\$'000	US\$'000	US\$'000
Segment assets	84,217	80,734	164,951
Reconciliation:			
Unallocated assets			15,400
Total assets.			180,351
Segment liabilities	27,616	39,342	66,958
Reconciliation:			
Unallocated liabilities			15,337
Total liabilities			82,295
Other segment information			
Investment in joint venture	–	43,959	43,959
Investment in associate	–	11,325	11,325

For the year ended 31 December 2013

	Biochemical operations	Industrial operations	Total
	US\$'000	US\$'000	US\$'000
Segment revenue			
Sales to external customers	122,219	–	122,219
Segment results			
The Group	20,291	(1,472)	18,819
Share of profits and losses of:			
Joint venture	–	13,699	13,699
Associate	–	3,546	3,546
	20,291	15,773	36,064
Reconciliation:			
Bank interest income			48
Finance costs			(841)
Profit before tax			35,271
Other segment information			
Depreciation and amortisation	5,159	21	5,180
Capital expenditure*	5,211	96	5,307
Addition of other non-current assets	5,395	–	5,395

* Capital expenditure consists of additions to property, plant and equipment.

At 31 December 2013

	Biochemical operations	Industrial operations	Total
	US\$'000	US\$'000	US\$'000
Segment assets	109,941	95,256	205,197
Reconciliation:			
Unallocated assets			10,987
Total assets.			216,184
Segment liabilities	22,126	33,293	55,419
Reconciliation:			
Unallocated liabilities			26,152
Total liabilities			81,571
Other segment information			
Investment in joint venture	–	59,931	59,931
Investment in associate	–	13,816	13,816

For the year ended 31 December 2014

	Biochemical operations	Industrial operations	Total
	US\$'000	US\$'000	US\$'000
Segment revenue			
Sales to external customers	117,131	–	117,131
Segment results			
The Group	16,962	(8,277)	8,685
Share of profits and losses of:			
Joint venture	–	11,640	11,640
Associate	–	8,646	8,646
	16,962	12,009	28,971
Reconciliation:			
Bank interest income			55
Finance costs			(1,200)
Profit before tax			27,826
Other segment information			
Depreciation and amortisation	5,450	21	5,471
Capital expenditure*	4,941	1	4,942
Addition of other non-current assets	–	–	–

* Capital expenditure consists of additions to property, plant and equipment.

At 31 December 2014

	Biochemical operations	Industrial operations	Total
	US\$'000	US\$'000	US\$'000
Segment assets	96,697	93,105	189,802
Reconciliation:			
Unallocated assets			17,034
Total assets			206,836
Segment liabilities	15,336	2,562	17,898
Reconciliation:			
Unallocated liabilities			20,986
Total liabilities			38,884
Other segment information			
Investment in joint venture	–	70,444	70,444
Investment in associate	–	19,013	19,013

(b) **Geographical information**

(i) *Revenue from external customers*

	Year ended 31 December		
	2012	2013	2014
	US\$'000	US\$'000	US\$'000
Mainland China	36,130	30,730	37,473
The United States of America (“United States”)	42,587	38,036	26,720
Asia Pacific (excluding Mainland China).	21,363	22,824	24,046
Europe	7,576	4,450	5,050
Others	24,618	26,179	23,842
	132,274	122,219	117,131

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

(ii) *Non-current assets*

Around 99% of the Group's non-current assets are located in mainland China.

(c) **Information about major customers**

The Group's customer base is diversified and includes only one customer located in the United States with whom transactions have exceeded 10% of Group's revenue during the years ended 31 December 2012, 2013 and 2014. For the years ended 31 December 2012, 2013 and 2014, revenue from sales of chlortetracycline to this customer, including sales to entities which are known to the Group to be under common control with this customer amounted to approximately US\$36,176,000, US\$32,624,000 and US\$26,100,000 respectively.

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 biochemical operations.

5 OTHER INCOME, NET

An analysis of other income, net is as follows:

	Year ended 31 December		
	2012	2013	2014
	US\$'000	US\$'000	US\$'000
Other revenue			
Bank interest income	52	48	55
Other interest income	481	203	28
Government grants	506	1,455	500
Gain on factories relocation	6,152	–	–
Others	313	36	449
	<u>7,504</u>	<u>1,742</u>	<u>1,032</u>
Other gains/(losses), net			
Gain/(loss) on disposal of property, plant and equipment, net.	126	(718)	(151)
Gain on deregistration of a subsidiary.	–	–	225
	<u>126</u>	<u>(718)</u>	<u>74</u>
Other income, net	<u>7,630</u>	<u>1,024</u>	<u>1,106</u>

6 FINANCE COSTS

	Year ended 31 December		
	2012	2013	2014
	US\$'000	US\$'000	US\$'000
Interest expense on bank borrowings wholly repayable within five years	511	946	1,342
Less: Interest expense capitalised	(103)	(105)	(142)
	<u>408</u>	<u>841</u>	<u>1,200</u>

The interest expense has been capitalised at a rate of 4.2%, 5.5% and 5.5% per annum for the years ended 31 December 2012, 2013 and 2014 respectively.

7 PROFIT BEFORE TAX

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

	Year ended 31 December		
	2012	2013	2014
	US\$'000	US\$'000	US\$'000
Cost of inventories sold	92,659	85,449	79,136
Write down of inventories	–	–	309
Cost of sales	<u>92,659</u>	<u>85,449</u>	<u>79,445</u>
Depreciation of property, plant and equipment . .	5,615	5,134	5,437
Amortisation of land lease prepayments	40	46	34
Write back of impairment of trade receivables, net	(106)	–	–
(Gain)/loss on disposal of property, plant and equipment, net.	(126)	718	151
Minimum lease payments of land and property under operating lease	157	162	390
Auditors' remuneration	163	164	124
Employee benefit expenses (including directors' remuneration – note 8):			
Wages, salaries and benefits in kind	10,228	12,596	15,096
Pension scheme contributions	249	332	592
	<u>10,477</u>	<u>12,928</u>	<u>15,688</u>
Foreign exchange differences, net	<u>567</u>	<u>1,130</u>	<u>371</u>

Group participates in pension scheme organised by the PRC government whereby the Group is required to pay annual contributions at a rate of 20% of the standard wages determined by the relevant authorised in the PRC. Save for the above scheme, the Group has no other material obligation for payment of retirement benefits beyond the annual contributions.

8 DIRECTORS' REMUNERATION

Directors' remuneration is as follows:

	Note	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total remuneration
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Year ended 31 December 2012						
<i>Directors:</i>						
Thanakorn Seriburi	(iii)	-	532	-	-	532
Robert Ping-Hsien Ho	(iv)	-	-	-	-	-
Prasertsak Ongwattanakul	(v)	-	-	-	-	-
		-	532	-	-	532
Year ended 31 December 2013						
<i>Directors:</i>						
Thanakorn Seriburi	(iii)	-	532	-	-	532
Robert Ping-Hsien Ho	(iv)	-	-	-	-	-
Prasertsak Ongwattanakul	(v)	-	-	-	-	-
		-	532	-	-	532
Year ended 31 December 2014						
<i>Executive Directors:</i>						
Thanakorn Seriburi	(iii)	-	532	113	-	645
Nopadol Chiaravanont		-	-	143	-	143
Thirayut Phityaisarakul	(iv)	-	-	-	-	-
Yao Minpu	(iv)	-	-	-	-	-
<i>Directors:</i>						
Robert Ping-Hsien Ho	(iv)	-	-	-	-	-
Prasertsak Ongwattanakul	(v)	-	13	-	-	13
<i>Non-executive Director:</i>						
Soopakij Chearavanont	(iv)	-	-	-	-	-
<i>Independent Non-executive Directors:</i>						
Chang Yuk Wo	(iv)	-	-	-	-	-
Surasak Rounroengrom	(iv)	-	-	-	-	-
Ko Ming Tung, Edward	(iv)	-	-	-	-	-
		-	545	256	-	801

Notes:

- (i) The directors of the Company were appointed on the following dates:

	<u>Date of appointment</u>	<u>Date of resignation</u>
<i>Executive Directors:</i>		
Thanakorn Seriburi	12 February 1988	N/A
Nopadol Chiaravanont	22 July 2014	N/A
Thirayut Phityaisarakul	15 September 2014	N/A
Yao Minpu	15 September 2014	N/A
<i>Directors:</i>		
Robert Ping-Hsien Ho	27 March 2001	15 September 2014
Prasertsak Ongwattanakul	12 September 2001	22 July 2014
<i>Non-executive Director:</i>		
Soopakij Chearavanont	15 September 2014	N/A
<i>Independent Non-executive Directors:</i>		
Cheng Yuk Wo	15 September 2014	N/A
Surasak Rounroengrom	15 September 2014	N/A
Ko Ming Tung, Edward	15 September 2014	N/A

- (ii) There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.
- (iii) Mr. Thanakorn Seriburi is also the chief executive officer for the Industrial Division of the Group and his remuneration disclosed above included those for services rendered by him as the chief executive officer.
- (iv) These directors did not receive any fees, salaries or other compensations.
- (v) Mr. Prasertsak Ongwattanakul is also the chief operating officer for the Industrial Division of the Group and his remuneration disclosed above included those for services rendered by him as the chief operating officer. He did not receive any fees, salaries or other compensations for the years ended 31 December 2012 and 2013.

9 FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for each of the years ended 31 December 2012, 2013 and 2014 include one director. Details of his remuneration are set out in note 8 above. The remuneration (including salaries, allowances and benefits in kind) of the remaining 4 non-directors for the years ended 31 December 2012, 2013 and 2014, was approximately US\$509,000, US\$687,000 and US\$883,000 in total respectively.

	<u>Year ended 31 December</u>		
	<u>2012</u>	<u>2013</u>	<u>2014</u>
	Number of individuals	Number of individuals	Number of individuals
Nil to US\$128,000 (equivalent to nil to HK\$1,000,000)	2	–	–
US\$128,001 to US\$192,000 (equivalent to HK\$1,000,001 to HK\$1,500,000)	2	3	1
US\$192,001 to US\$256,000 (equivalent to HK\$1,500,001 to HK\$2,000,000)	–	1	2
US\$256,001 to US\$320,000 (equivalent to HK\$2,000,001 to HK\$2,500,000)	–	–	1
	<u>–</u>	<u>–</u>	<u>1</u>

10 INCOME TAX

	Year ended 31 December		
	2012	2013	2014
	US\$'000	US\$'000	US\$'000
Current – mainland China			
Charge for the year	7,037	3,252	4,771
(Over)/under-provision in prior years	–	(1,236)	10
Deferred (<i>note 27</i>).	1,504	(131)	(555)
Total tax expense for the year	<u>8,541</u>	<u>1,885</u>	<u>4,226</u>

No provision for Hong Kong profits tax has been made in the Relevant Periods as the Group did not generate any assessable profits in Hong Kong during the years ended 31 December 2012, 2013 and 2014.

The subsidiaries operating in mainland China are subject to income tax at the rate of 25% on their taxable income according to the PRC Corporate Income Tax Law during the Relevant Periods. Zhumadian Huazhong and Pucheng Chia Tai are recognised as High and New Technology Enterprises under applicable PRC tax law in 2012 and 2013 respectively in accordance with the relevant tax rules and regulations in the PRC and were granted a preferential tax rate of 15% in 2013 for the taxable profits commencing from the year ended 31 December 2012 and 2013 respectively.

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for mainland China in which the Group principally operates to the tax expense is as follows:

	Year ended 31 December		
	2012	2013	2014
	US\$'000	US\$'000	US\$'000
Profit before tax	<u>33,105</u>	<u>35,271</u>	<u>27,826</u>
Tax expense on profit before tax, calculated at the PRC corporate income tax rate of 25%	8,276	8,818	6,957
Lower tax rates enacted by local tax authority	–	(1,931)	(1,647)
Effect of withholding tax at 5% or 10% on the distributable profit of the Group's subsidiaries, joint venture and associate in mainland China	1,079	1,041	1,637
(Over)/under-provision in prior years	–	(1,236)	10
Profits and losses attributable to joint venture and associate.	(1,199)	(4,311)	(5,072)
Income not subject to tax	(22)	(334)	(116)
Expenses not deductible for tax	407	371	2,457
Effect on deferred tax balance resulting from change of tax rate	–	(533)	–
Tax expense at the Group's effective tax rate	<u>8,541</u>	<u>1,885</u>	<u>4,226</u>

11 DIVIDENDS

Except for a dividend of US\$10,000,000 declared by Chia Tai Huazhong to CPP on 31 October 2012 and dividends of US\$5,770,000 and US\$4,043,000 declared by Chia Tai Huazhong and Chia Tai Pucheng respectively to CPP on 31 August 2014, no other dividends were declared by the companies now comprising the Group to their then respective shareholders during the Relevant Periods. The rates for dividends and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

12 EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDER OF THE COMPANY

Earnings per share information is not presented as its inclusion for the purpose of this report is not considered meaningful due to the Reorganisation and the preparation of the results for the years ended 31 December 2012, 2013 and 2014 on a combined basis as disclosed in note 1(b).

13 PROPERTY, PLANT AND EQUIPMENT

	Note	Industrial buildings <i>(note (a))</i>	Plant and Machinery <i>(note (a))</i>	Furniture, fixtures and office equipment <i>(note (a))</i>	Motor vehicles and transport facilities <i>(note (a))</i>	Construction in progress <i>(note (b))</i>	Total
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2012:							
Cost		31,640	65,746	5,262	1,119	897	104,664
Accumulated depreciation and impairment		(11,255)	(36,348)	(3,235)	(555)	–	(51,393)
Net carrying amount		20,385	29,398	2,027	564	897	53,271
Net carrying amount:							
At 1 January 2012.		20,385	29,398	2,027	564	897	53,271
Additions		–	1,013	963	378	6,180	8,534
Depreciation	7	(1,348)	(3,625)	(445)	(197)	–	(5,615)
Transfer in/(out).		2,738	3,500	576	52	(6,866)	–
Disposals		(2,383)	(1,689)	(164)	(4)	–	(4,240)
At 31 December 2012.		19,392	28,597	2,957	793	211	51,950
At 31 December 2012:							
Cost		27,227	62,634	6,583	1,680	211	98,335
Accumulated depreciation and impairment		(7,835)	(34,037)	(3,626)	(887)	–	(46,385)
Net carrying amount		19,392	28,597	2,957	793	211	51,950
At 1 January 2013:							
Cost		27,227	62,634	6,583	1,680	211	98,335
Accumulated depreciation and impairment		(7,835)	(34,037)	(3,626)	(887)	–	(46,385)
Net carrying amount		19,392	28,597	2,957	793	211	51,950
Net carrying amount:							
At 1 January 2013.		19,392	28,597	2,957	793	211	51,950
Additions		255	84	521	264	4,183	5,307
Depreciation	7	(1,256)	(3,281)	(364)	(233)	–	(5,134)
Transfer in/(out).		1,723	(126)	(959)	–	(638)	–
Disposals		(337)	(448)	(6)	(15)	–	(806)
Exchange realignment		772	1,063	103	31	62	2,031
At 31 December 2013.		20,549	25,889	2,252	840	3,818	53,348
At 31 December 2013:							
Cost		29,903	64,339	6,036	1,879	3,818	105,975
Accumulated depreciation and impairment		(9,354)	(38,450)	(3,784)	(1,039)	–	(52,627)
Net carrying amount		20,549	25,889	2,252	840	3,818	53,348

	Note	Industrial buildings	Plant and Machinery	Furniture, fixtures and office equipment	Motor vehicles and transport facilities	Construction in progress	Total
		(note (a))	(note (a))			(note (b))	
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2014:							
Cost		29,903	64,339	6,036	1,879	3,818	105,975
Accumulated depreciation and impairment		(9,354)	(38,450)	(3,784)	(1,039)	–	(52,627)
Net carrying amount		<u>20,549</u>	<u>25,889</u>	<u>2,252</u>	<u>840</u>	<u>3,818</u>	<u>53,348</u>
Net carrying amount:							
At 1 January 2014.		20,549	25,889	2,252	840	3,818	53,348
Additions		335	1,442	203	114	2,848	4,942
Depreciation.	7	(1,334)	(3,580)	(272)	(251)	–	(5,437)
Transfer in/(out).		2,276	2,570	91	53	(4,990)	–
Disposals		(6)	(163)	(14)	–	–	(183)
Exchange realignment		(272)	(483)	(23)	(13)	(45)	(836)
At 31 December 2014.		<u>21,548</u>	<u>25,675</u>	<u>2,237</u>	<u>743</u>	<u>1,631</u>	<u>51,834</u>
At 31 December 2014:							
Cost.		32,110	66,271	5,724	1,508	1,631	107,244
Accumulated depreciation and impairment		(10,562)	(40,596)	(3,487)	(765)	–	(55,410)
Net carrying amount.		<u>21,548</u>	<u>25,675</u>	<u>2,237</u>	<u>743</u>	<u>1,631</u>	<u>51,834</u>

Notes:

- (a) At 31 December 2012, 2013 and 2014, certain of the Group's industrial buildings and plant and machinery in mainland China with an aggregate net carrying amounts of US\$5,907,000, US\$5,418,000 and US\$4,585,000 respectively were pledged to secure certain bank borrowings of the Group, respectively (note 25(a)).
- (b) Ownership certificates of certain properties with an aggregate carrying amount of US\$5,969,000, US\$7,827,000 and US\$1,295,000 at 31 December 2012, 2013 and 2014 respectively are yet to be obtained.

14 LAND LEASE PREPAYMENTS

	Note	As at 31 December		
		2012	2013	2014
		US\$'000	US\$'000	US\$'000
Carrying amount at 1 January.		1,598	757	1,124
Additions		–	379	–
Amortisation	7	(40)	(46)	(34)
Disposal		(801)	–	–
Exchange realignment		–	34	(5)
Carrying amount at 31 December		<u>757</u>	<u>1,124</u>	<u>1,085</u>
Current portion included in prepayments, deposits and other receivables		(36)	(47)	(47)
		<u>721</u>	<u>1,077</u>	<u>1,038</u>

- (a) All leasehold land of the Group are located in the mainland China and are held under medium term leases.
- (b) At 31 December 2012, 2013 and 2014, certain of the Group's leasehold land with an aggregate carrying amount of approximately US\$546,000, US\$551,000 and US\$525,000 respectively were pledged to secure certain bank borrowings of the Group (note 25(a)).

15 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are stated at cost. Details of subsidiaries are set out in note 1(b) of the Financial Information.

16 INTEREST IN JOINT VENTURE

	Note	As at 31 December		
		2012	2013	2014
		US\$'000	US\$'000	US\$'000
Investment in joint venture, included in non-current assets: Share of net assets	(b)	43,959	59,931	70,444
Due from joint venture, included in prepayments, deposits and other receivables		4,511	4,511	–
Interest in joint venture		48,470	64,442	70,444

Notes:

(a) Particulars of the principal joint venture are as follows:

Company name	Place of incorporation/ registration and operations	Authorised/ paid-up capital	Equity attributable to the Company	Principal activities
ECI Metro Investment Co., Ltd. (“ECI Metro Investment”)	British Virgin Islands/ Hong Kong	Authorised and fully paid up 12,000,000 ordinary shares of US\$1 each	50%	Investment holding and trading of machinery and spare parts

Since neither the Group nor its joint venture partner is in a position to exercise unilateral control over the economic activity of the entity, the Group's interest therein are classified as interest in joint venture.

ECI Metro Investment was established by the Group with an independent third party, the other investor to this joint venture, to distribute Caterpillar products in the western part of the PRC.

ECI Metro Investment is an unlisted corporate entity whose quoted market price is not available.

- (b) Summarised financial information of ECI Metro Investment and its subsidiaries (collectively, the “ECI Metro Group”), adjusted for any differences in accounting policy, and a reconciliation to the carrying amount in the combined financial information, are disclosed below:

	As at 31 December		
	2012	2013	2014
	US\$'000	US\$'000	US\$'000
<i>Gross amounts of ECI Metro Group's:</i>			
Current assets	225,082	244,136	189,537
Non-current assets	34,112	41,350	37,420
Current liabilities	171,276	165,624	86,069
Non-current liabilities	–	–	–
Equity	87,918	119,862	140,888
<i>Included in the above assets and liabilities:</i>			
Cash and cash equivalents	50,213	74,310	37,527
Current financial liabilities (excluding trade and other payables)	79,883	41,998	–
Year ended 31 December			
	2012	2013	2014
	US\$'000	US\$'000	US\$'000
Revenue	457,928	662,047	568,892
Profit from continuing operations	3,629	27,398	23,280
Post-tax profit or loss from discontinued operations	–	–	–
Other comprehensive income	–	4,546	(2,254)
Total comprehensive income	3,629	31,944	21,026
Dividend received from ECI Metro Investment	–	–	–
<i>Included in the above profit:</i>			
Depreciation and amortisation	(5,390)	(6,625)	(7,934)
Interest income	517	731	827
Interest expense	(11,087)	(5,825)	(1,635)
Income tax expense	(5,088)	(11,826)	(10,126)
As at 31 December			
	2012	2013	2014
	US\$'000	US\$'000	US\$'000
<i>Reconciled to the Group's interest in ECI Metro Group</i>			
Gross amounts of ECI Metro Group's net assets	87,918	119,862	140,888
Group's effective interest	50%	50%	50%
Carrying amount in the combined financial information	43,959	59,931	70,444

17 INTEREST IN ASSOCIATE

	Note	As at 31 December		
		2012	2013	2014
		US\$'000	US\$'000	US\$'000
Investment in associate, included in non-current assets:				
Share of net asset	(a)	11,325	13,816	19,013
Due from associate, included in prepayments, deposits and other receivables		–	1,411	2,890
		<u>11,325</u>	<u>15,227</u>	<u>21,903</u>

Notes:

- (a) The Group has interest in associate which are regarded as not individually material. The following table summarises, in aggregate, the financial information of the individually immaterial associate that are accounted for using the equity method:

	As at 31 December		
	2012	2013	2014
	US\$'000	US\$'000	US\$'000
Carrying amount in the Financial Information	11,325	13,816	19,013
Amounts of the Group's share of associate			
– profit from operations	2,978	3,546	8,646
– other comprehensive income	–	488	(260)
– total comprehensive income	<u>2,978</u>	<u>4,034</u>	<u>8,386</u>

- (b) Particulars of the principal associate, which is indirectly held by the Company, are as follows:

Company name	Place of incorporation/ registration and operations	Authorised/ registered/ paid-up capital	Equity attributable to the Company	Principal activities
Zhanjiang Deni Vehicle Parts Co., Ltd 湛江德利車輛部件有限公司 (formerly known as Zhanjiang Deni Carburetor Co. Ltd. 湛江德利化油器有限公司)	PRC/ Mainland China	Registered and paid up capital of US\$21,250,000	28%	Manufacture and sales of automotive parts

18 OTHER NON-CURRENT ASSETS

The Group's other non-current assets as at 31 December 2012, 2013 and 2014 represent prepayments made for acquisition of land use right.

19 INVENTORIES

	As at 31 December		
	2012	2013	2014
	US\$'000	US\$'000	US\$'000
Raw materials	2,811	3,239	3,146
Work in progress	3,964	10,296	7,034
Finished goods	5,022	6,706	4,748
	<u>11,797</u>	<u>20,241</u>	<u>14,928</u>

20 TRADE AND BILLS RECEIVABLES

	Note	As at 31 December		
		2012	2013	2014
		US\$'000	US\$'000	US\$'000
Trade receivables		13,265	17,843	18,347
Bills receivable		–	319	441
		<u>13,265</u>	<u>18,162</u>	<u>18,788</u>
Trade and bills receivables due from:	(c)			
– subsidiaries of CPP		114	225	1,057
– joint ventures of CPP		193	17	–
– associates of CPP		–	381	34
– subsidiaries of CPG		25	24	13
		<u>332</u>	<u>647</u>	<u>1,104</u>
Trade and bills receivables – third party .		12,933	17,515	17,684
		<u>13,265</u>	<u>18,162</u>	<u>18,788</u>

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 the overdue trade receivable balances at rates determined by the Group. In the opinion of the directors, there is no significant concentration of credit risk. An ageing analysis of the Group's trade and bills receivables, based on the invoice date, is as follows:

	Note	As at 31 December		
		2012	2013	2014
		US\$'000	US\$'000	US\$'000
Trade and bills receivables:				
60 days or below		13,177	16,023	13,907
61 to 180 days		88	2,139	4,868
Over 180 days		–	–	13
		<u>13,265</u>	<u>18,162</u>	<u>18,788</u>
Impairment	(a)	–	–	–
		<u>13,265</u>	<u>18,162</u>	<u>18,788</u>

Notes:

- (a) The movements in the provision for impairment of trade and bills receivables are as follows:

	Note	As at 31 December		
		2012	2013	2014
		US\$'000	US\$'000	US\$'000
At 1 January		106	–	–
Write back of impairment during the year recognised in profit or loss, net.	7	(106)	–	–
At 31 December		–	–	–

- (b) The ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired is as follows:

	As at 31 December		
	2012	2013	2014
	US\$'000	US\$'000	US\$'000
Neither past due nor impaired	12,774	14,652	14,479
180 days or below past due	491	3,510	4,296
Over 180 days past due	–	–	13
	13,265	18,162	18,788

Receivables that were neither past due nor impaired related to customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been as significant change in credit quality and the balances are still considered fully recoverable.

- (c) The amounts are arising from transactions carried out in the ordinary course of business of the Group. The balances are unsecured, bear interest at rates determined by the Group after past due and are repayable within credit periods similar to those offered by the Group to its major customers.
- (d) At 31 December 2012 and 2013, trade receivables with an aggregate amount of US\$8,247,000, and US\$3,760,000 respectively were pledged to secure certain bank borrowings of the Group (note 25(a)). None of the Group's trade receivables was pledged to secure any bank borrowings of the Group as at 31 December 2014.

21 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Note	As at 31 December		
		2012	2013	2014
		US\$'000	US\$'000	US\$'000
Group:				
Loans to joint venture:	(a)	4,500	4,500	–
Other receivables due from:	(b)			
– CPP		–	4,349	678
– joint venture		11	11	–
– associate		–	1,411	2,890
– subsidiaries of CPP		20,924	15,488	–
– subsidiaries of CPG		43	37	–
– non-controlling equity holders		1,372	1,966	–
		22,350	23,262	3,568
Income tax receivables		–	496	49
Prepayments, deposits and other receivables – third party		2,518	3,171	2,720
		29,368	31,429	6,337
Company:				
Other receivables due from subsidiaries	(b)	30,965	23,308	6,710
Prepayments, deposits and other receivables – third party		–	13	13
		30,965	23,321	6,723

Notes:

- (a) As at 31 December 2012 and 2013, the loans to joint venture bear interests at 4.45% per annum and are repayable within one year.
- (b) The amounts, with no fixed terms of repayment, are unsecured, interest free and expected to be recovered or recognised as expense within one year. As part of the Reorganisation as detailed in note 1(b), an advance of US\$11,407,000 to Ek Chor Investment, subsidiary of CPP, was assigned to the CPP Group during the year ended 31 December 2014. As detailed in notes 35(c) and (d), on 11 June 2015, the entire balance due from CPP was offset with the balance due to CPP and the remaining net balance due to CPP was capitalised.

22 CASH AND CASH EQUIVALENTS

	As at 31 December		
	2012	2013	2014
	US\$'000	US\$'000	US\$'000
Group:			
Cash and bank balances other than time deposits	15,304	9,836	16,985
Time deposits.	96	655	–
Cash and cash equivalents	<u>15,400</u>	<u>10,491</u>	<u>16,985</u>
Company:			
Cash and bank balances other than time deposits	<u>12</u>	<u>–</u>	<u>10,410</u>

Notes:

- (a) At 31 December 2012, 2013 and 2014, the cash and bank balances of the Group denominated in Renminbi (“RMB”) amounted to RMB57,783,000, RMB43,345,000 and RMB28,259,000 respectively, which are equivalent to US\$9,112,000, US\$7,103,000 and US\$4,553,000 respectively. The RMB are not freely convertible into other currencies. However, under mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, the Group is permitted to exchange RMB into other currencies through banks authorised to conduct foreign exchange business.
- (b) Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances are deposited with creditworthy banks with no recent history default.

23 TRADE PAYABLES

An ageing 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:

	As at 31 December		
	2012	2013	2014
	US\$'000	US\$'000	US\$'000
60 days or below	6,084	7,227	4,770
61 to 180 days	–	348	112
181 to 360 days	–	2	1
Over 360 days	15	1	1
	<u>6,099</u>	<u>7,578</u>	<u>4,884</u>

24 OTHER PAYABLES AND ACCRUALS

	Note	As at 31 December		
		2012	2013	2014
		US\$'000	US\$'000	US\$'000
Group:				
Other payables due to:	(a)			
– CPP		48,474	39,643	–
– subsidiaries of CPP		–	–	6
– subsidiaries of CPG		182	167	3
– non-controlling equity holders		18	8	951
		<u>48,674</u>	<u>39,818</u>	<u>960</u>
Other payables and accruals				
– third party		10,981	6,940	9,235
		<u>59,655</u>	<u>46,758</u>	<u>10,195</u>
Company:				
Other payables due to CPP	(a)	38,495	31,754	–
Other payables and accruals				
– third party		274	290	2,569
		<u>38,769</u>	<u>32,044</u>	<u>2,569</u>

Note:

- (a) As at 31 December 2012, 2013 and 2014, the amounts are unsecured, interest free and have no fixed terms of repayment.

25 BANK BORROWINGS

	Note	As at 31 December		
		2012	2013	2014
		US\$'000	US\$'000	US\$'000
Bank loans, secured	(a)	9,264	12,822	8,379
Bank loans, unsecured		2,050	9,832	9,893
Total bank borrowings	(c)	<u>11,314</u>	<u>22,654</u>	<u>18,272</u>
Analysed into amounts repayable:				
– Within one year or on demand		8,610	18,967	15,855
– In the second year		–	1,229	1,209
– In the third to fifth year		2,704	2,458	1,208
Total bank borrowings		11,314	22,654	18,272
Portion classified as current liabilities		(8,610)	(18,967)	(15,855)
Non-current portion		<u>2,704</u>	<u>3,687</u>	<u>2,417</u>

Notes:

- (a) At 31 December 2012, 2013 and 2014, certain of the Group's property, plant and equipment of US\$5,907,000, US\$5,418,000 and US\$4,585,000 (note 13(a)), land lease prepayments of US\$546,000, US\$551,000 and US\$525,000 (note 14(b)) and trade receivables of US\$8,247,000, US\$3,760,000 and nil (note 20(d)), respectively, were pledged as security for bank borrowings of the Group.

- (b) At 31 December 2012, 2013 and 2014, the unutilised borrowing facilities amounted to US\$11,488,000, US\$6,391,000 and US\$9,201,000 respectively.
- (c) The carrying amounts of the bank borrowings of the Group and the Company are denominated in the following currencies:

	As at 31 December		
	2012	2013	2014
	US\$'000	US\$'000	US\$'000
RMB	4,754	19,664	18,272
US\$	6,560	2,990	–
	<u>11,314</u>	<u>22,654</u>	<u>18,272</u>

As at 31 December 2012, 2013 and 2014, none of the covenants relating to bank borrowings had been breached.

26 OTHER NON-CURRENT LIABILITIES

	As at 31 December		
	2012	2013	2014
	US\$'000	US\$'000	US\$'000
Non-current portion of deferred income.	<u>1,204</u>	<u>1,083</u>	<u>2,819</u>

The deferred income of the Group as at 31 December 2012, 2013 and 2014 represent the government grants received and will be recognised in profit or loss on a straight-line basis over the expected useful lives of the relevant assets.

27 DEFERRED TAX

The components of the Group's deferred tax liabilities and their movements during the reporting period are as follows:

	Dividend withholding tax	Others	Total
	US\$'000	US\$'000	US\$'000
At 1 January 2012.	(1,531)	(62)	(1,593)
Deferred tax charged to profit or loss during the year (<i>note 10</i>).	<u>(159)</u>	<u>(1,345)</u>	<u>(1,504)</u>
At 31 December 2012	<u>(1,690)</u>	<u>(1,407)</u>	<u>(3,097)</u>
At 1 January 2013.	(1,690)	(1,407)	(3,097)
Deferred tax (charged)/credited to profit or loss during the year (<i>note 10</i>)	(607)	738	131
Exchange realignment	<u>(24)</u>	<u>(7)</u>	<u>(31)</u>
At 31 December 2013	<u>(2,321)</u>	<u>(676)</u>	<u>(2,997)</u>
At 1 January 2014.	(2,321)	(676)	(2,997)
Deferred tax credited to profit or loss during the year (<i>note 10</i>)	190	365	555
Exchange realignment	<u>1</u>	<u>–</u>	<u>1</u>
At 31 December 2014	<u>(2,130)</u>	<u>(311)</u>	<u>(2,441)</u>

Notes:

- (a) Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in mainland China. The requirement is effective from 1 January 2008 and applied to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on any dividends distributable by the subsidiaries, joint venture or associate established in mainland China in respect of earnings generated from 1 January 2008.
- (b) At 31 December 2012, 2013 and 2014, temporary differences unrecognised for deferred tax liabilities relating to the undistributed profits of subsidiaries amounted to US\$4,359,000, US\$1,954,000 and US\$2,551,000 respectively. Deferred tax liabilities of US\$361,000, US\$155,000 and US\$255,000 respectively have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

28 CAPITAL

	As at 31 December		
	2012	2013	2014
	US\$'000	US\$'000	US\$'000
Authorised:			
19,526,000 ordinary shares of US\$0.1 each	1,953	1,953	1,953
Issued and fully paid:			
11,952,000 ordinary shares of US\$0.1 each	1,195	1,195	1,195

29 RESERVES

- (a) The amounts of the Group's reserves and the movements therein during the Relevant Periods are presented in the combined statements of changes in equity.
- (b) The capital reserve mainly represents the amount of issued capital of Chia Tai Pucheng, Chia Tai Huazhong before the Reorganisation, the book value of the investment in Ek Chor Investment as if the transfer of the entire equity interest, as a part of Reorganisation, was completed at the beginning of the Relevant Periods as mentioned in note 1(b), and the deemed contribution from shareholder upon Reorganisation.
- (c) The PRC reserve funds are reserves set aside in accordance with PRC Companies Law or the Law of the PRC on Joint Ventures Using Chinese and Foreign Investment as applicable to the Group's PRC subsidiaries, joint venture and associate. None of the Group's PRC reserve funds as at 31 December 2012, 2013 and 2014 were distributable in the form of cash dividends.
- (d) The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 1(s).

- (e) Details of movements in components of equity of the Company during the Relevant Periods are set out below:

	<u>Capital</u>	<u>Retained profits</u>	<u>Exchange fluctuation reserve</u>	<u>Total equity</u>
	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2012.	1,195	4,406	–	5,601
Loss for the year	–	(609)	–	(609)
At 31 December 2012 and 1 January 2013	1,195	3,797	–	4,992
Loss for the year	–	(881)	–	(881)
Exchange realignment	–	–	32	32
At 31 December 2013 and 1 January 2014	1,195	2,916	32	4,143
Profit for the year	–	18,767	–	18,767
Exchange realignment	–	–	(9)	(9)
At 31 December 2014	<u>1,195</u>	<u>21,683</u>	<u>23</u>	<u>22,901</u>

30 CONTINGENT LIABILITIES

At 31 December 2012, 2013 and 2014, contingent liabilities in respect of the Group and Company's guarantees not provided for in the Financial Information are as follows:

	<u>As at 31 December</u>		
	<u>2012</u>	<u>2013</u>	<u>2014</u>
	US\$'000	US\$'000	US\$'000
Guarantee in respect of certain indebtedness of joint venture	<u>2,821</u>	<u>–</u>	<u>–</u>

31 OPERATING LEASE ARRANGEMENTS

The Group leases certain of its equipment, properties and land under operating leases arrangements, with the leases negotiated with original terms within one year.

At 31 December 2012, 2013 and 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<u>As at 31 December</u>		
	<u>2012</u>	<u>2013</u>	<u>2014</u>
	US\$'000	US\$'000	US\$'000
Within one year	<u>4</u>	<u>13</u>	<u>2</u>

32 CAPITAL COMMITMENTS

(a) The Group had the following capital commitments as at the end of the reporting period:

	As at 31 December		
	2012	2013	2014
	US\$'000	US\$'000	US\$'000
Contracted, but not provided for:			
– Land use right	–	1,330	–
– Buildings, plant and machinery	2,703	1,876	1,564
	<u>2,703</u>	<u>3,206</u>	<u>1,564</u>

(b) The Group's share of capital commitments of the joint venture is as follows:

	As at 31 December		
	2012	2013	2014
	US\$'000	US\$'000	US\$'000
Contracted, but not provided for	633	83	115

(c) At 31 December 2012, 2013 and 2014, the Company did not have any significant capital commitment.

33 RELATED PARTY DISCLOSURES

(a) Transactions with related parties

For the years ended 31 December 2012, 2013 and 2014, the Group entered into transactions with the following parties:

(i) Subsidiaries of CPP

Company name (English)	Company name (Chinese)
C.P. Vietnam Corporation	
Changsha Chia Tai Co., Ltd. (Note (i))	長沙正大有限公司
Chengdu Chia Tai Co., Ltd. (Note (i))	成都正大有限公司
Chia Tai Yongji Enterprise Co., Ltd. (Note (i))	正大永吉實業有限公司
Chia Tai Yueyang Co., Ltd. (Note (i))	正大岳陽有限公司
Chongqing Chia Tai Co., Ltd. (Note (i))	重慶正大有限公司
Chongqing Shuangqiao Chia Tai Co., Ltd. (Note (i))	重慶雙橋正大有限公司
Chuzhou Chia Tai Co., Ltd. (Note (i))	滁州正大有限公司
Ek Chor Investment	易初投資有限公司
Fuzhou Da Fu Co., Ltd. (Note (i))	福州大福有限公司
Ganzhou Chia Tai Industrial Co., Ltd. (Note (i))	贛州正大實業有限公司
Guang An Chia Tai Co., Ltd. (Note (i))	廣安正大有限公司
Guanghan Chia Tai Feed Tech Co., Ltd. (Note (i))	廣漢正大飼料科技有限公司
Guilin Chia Tai Co., Ltd. (Note (i))	桂林正大有限公司
Guigang Chia Tai Co., Ltd. (Note (i))	貴陽正大有限公司
Hangzhou Advance Feed Tech Co., Ltd. (Note (i))	杭州億萬飼料科技有限公司
Hefei Chia Tai Co., Ltd. (Note (i))	合肥正大有限公司
Huai Hua Chia Tai Co., Ltd. (Note (i))	懷化正大有限公司
Huludao Chia Tai Husbandry Co., Ltd. (Note (i))	葫蘆島正大畜牧有限公司
Inner Mongolia Chia Tai Co., Ltd. (Note (i))	內蒙古正大有限公司
Jiangsu Huai Yin Chia Tai Co., Ltd. (Note (i))	江蘇淮陰正大有限公司
Jinan Chia Tai Co., Ltd. (Note (i))	濟南正大有限公司
Jiu Jiang Chia Tai Feedstuff Co., Ltd. (Note (i))	九江正大飼料有限公司
Kaifeng Chia Tai Co., Ltd. (Note (i))	開封正大有限公司
Kunming Chia Tai Co., Ltd. (Note (i))	昆明正大有限公司
Lanzhou Chia Tai Co., Ltd. (Note (i))	蘭州正大有限公司

Liuzhou Advance Feed Tech Co., Ltd. <i>(Note (i))</i>	柳州億萬飼料科技有限公司
Mianyang Chia Tai Co., Ltd. <i>(Note (i))</i>	綿陽正大有限公司
Nanchang Chiatai Livestock Co., Ltd. <i>(Note (i))</i>	南昌正大畜禽有限公司
Nanning Chia Tai Animal Husbandry Co., Ltd. <i>(Note (i))</i>	南寧正大畜牧有限公司
Nantong Chia Tai Co., Ltd. <i>(Note (i))</i>	南通正大有限公司
Nantong Chia Tai Feed Co., Ltd. <i>(Note (i))</i>	南通正大飼料有限公司
Nantong Chia Tai Technology Feed Co., Ltd. <i>(Note (i))</i>	南通正大科技飼料有限公司
Nanyang Chia Tai Co., Ltd. <i>(Note (i))</i>	南陽正大有限公司
Neijiang Chia Tai Co., Ltd. <i>(Note (i))</i>	內江正大有限公司
Ningbo Chia Tai Agriculture Co., Ltd. <i>(Note (i))</i>	寧波正大農業有限公司
Pingdingshan Chia Tai Co., Ltd. <i>(Note (i))</i>	平頂山正大有限公司
Qingdao Chia Tai Agricultural Development Co., Ltd. <i>(Note (i))</i>	青島正大農業發展有限公司
Shaanxi Chia Tai Co., Ltd. <i>(Note (i))</i>	陝西正大有限公司
Shanxi Chia Tai Co., Ltd. <i>(Note (i))</i>	山西正大有限公司
Shenyang Chia Tai Livestock Co., Ltd. <i>(Note (i))</i>	瀋陽正大畜牧有限公司
Shenyang Advance Feed Tech Co., Ltd. <i>(Note (i))</i>	瀋陽億萬飼料科技有限公司
Shijiazhuang Chia Tai Co., Ltd. <i>(Note (i))</i>	石家莊正大有限公司
Shuangliu Chia Tai Co., Ltd. <i>(Note (i))</i>	雙流正大有限公司
Tai Zhou Chia Tai Feed Co., Ltd. <i>(Note (i))</i>	泰州正大飼料有限公司
Tian Jin Chia Tai Feed Tech Co., Ltd. <i>(Note (i))</i>	天津正大飼料科技有限公司
Tianjin Chia Tai Agro-Industrial Co., Ltd. <i>(Note (i))</i>	天津正大農牧有限公司
Urumqi Chiatai Animal Husbandry Co., Ltd. <i>(Note (i))</i>	烏魯木齊正大畜牧有限公司
Wuhan Chia Tai Co., Ltd. <i>(Note (i))</i>	武漢正大有限公司
Xiamen Chia Tai Agriculture Co., Ltd. <i>(Note (i))</i>	廈門正大農牧有限公司
Xiangyang Chia Tai Co., Ltd. <i>(Note (i))</i>	襄樊正大有限公司
Xuzhou Chia Tai Feed Co., Ltd. <i>(Note (i))</i>	徐州正大飼料有限公司
Yi Chang Chia Tai Co., Ltd. <i>(Note (i))</i>	宜昌正大有限公司
Yinchuan Chia Tai Co., Ltd. <i>(Note (i))</i>	銀川正大有限公司
Yongan Chia Tai Co., Ltd. <i>(Note (i))</i>	永安正大有限公司
Zhoukou Chia Tai Co., Ltd. <i>(Note (i))</i>	周口正大有限公司
Zhumadian Chia Tai Co., Ltd. <i>(Note (i))</i>	駐馬店正大有限公司

(ii) Joint venture of the Group**Company name (English)**

ECI Metro Investment
 ECI Metro Trading (Shanghai) Co., Ltd. *(Note (i))*
 Yunnan ECI-Metro Engineering Machinery Service Co., Ltd. *(Note (i))*

Company name (Chinese)

易初明通投資有限公司
 易初明通貿易(上海)有限公司
 雲南易初明通工程機械維修有限公司

(iii) Joint ventures of CPP**Company name (English)**

Beijing Chia Tai Feedmill Limited *(Note (i))*
 Handan Chia Tai Feed Co. Ltd. *(Note (i))*
 Henan East Chiatai Co. Ltd. *(Note (i))*
 Jilin Chia Tai Enterprise Co. Ltd. *(Note (i))*

Company name (Chinese)

北京正大飼料有限公司
 邯鄲正大飼料有限公司
 河南東方正大有限公司
 吉林正大實業有限公司

(iv) Associates of CPP**Company name (English)**

Chia Tai Conti (Chenghai) Limited *(Note (i))*
 Chia Tai Conti Panyu Limited *(Note (i))*
 Chia Tai Conti (Shekou) Limited *(Note (i))*
 Chia Tai Conti Shantou Limited *(Note (i))*
 Chia Tai Conti Zhuhai Company Limited *(Note (i))*
 Guang Dong Chia Tai Conti Company Limited *(Note (i))*
 Guangdong Chia Tai Conti Animal Health Company Limited *(Note (i))*

Company name (Chinese)

正大康地(澄海)有限公司
 正大康地(廣州番禺)有限公司
 正大康地(蛇口)有限公司
 正大康地汕頭有限公司
 正大康地珠海有限公司
 廣東正大康地有限公司
 廣東正大康地動物保健有限公司

(v) Subsidiaries of CPF**Company name (English)**

Charoen Pokphand (Taiwan) Corp. Ltd.
Lianyungang Chia Tai Agro-Industry Development
Co., Ltd. (Note (i))

Company name (Chinese)

卜蜂(台灣)股份有限公司
連雲港正大農牧發展有限公司

(vi) Subsidiaries of CPG**Company name (English)**

Anhui Pokphand Poultry Co., Ltd (Note (i))
Beijing Dafa Chia Tai Co., Ltd. (Note (i))
C.P. Bangladesh Co., Ltd.
Chengdu C.T. Agro Food Company (Note (i))
Fujian C.P. Livestock Co., Ltd. (Note (i))
Guangxi C.P. Livestock Co., Ltd. (Note (i))
Guangdong Zhanjiang Chia Tai Swine Industry Co., Ltd
(Note (i))
Hebei Chia Tai Poultry Co., Ltd. (Note (i))
Henan Chia Tai Agricultural and Pastoral Food Trading
Co., Ltd. (Note (i))
Henan C.T. Poultry Co., Ltd. (Note (i))
Hunan C.T. Poultry Co., Ltd. (Note (i))
Jiamusi Chia Tai Co., Ltd. (Note (i))
Jiangsu C.T. & Suken Swine Co., Ltd (Note (i))
Jiangxi Chia Tai Livestock Co., Ltd. (Note (i))
Kaifeng Chia Tai Co., Ltd. (Note (i))
Kaifeng C.P. livestock Co., Ltd (Note (i))
Kunming C.P. Livestock Co., Ltd. (Note (i))
Lanzhou Chia Tai Food Co., Ltd. (Note (i))
Liaoning C.P. livestock Co., Ltd (Note (i))
Nantong Chia Tai Livestock & Poultry Co., Ltd. (Note (i))
Pizhou Chia Tai Food Co., Ltd. (Note (i))
Qinhuangdao Chia Tai Co., Ltd. (Note (i))
Qinhuangdao C.P. Swine Business Co., Ltd (Note (i))
Shaanxi Chia Tai Food Co., Ltd. (Note (i))
Qingdao C.P. Swine Business Co., Ltd (Note (i))
Shandong C.P. Livestock Co., Ltd. (Note (i))
Xiang Fan Chia Tai Agro-Industry & Food
Co., Ltd. (Note (i))
Xianning Chia Tai Agro-Industry & Food
Co., Ltd. (Note (i))
Xinjiang Chia Tai Food Co., Ltd. (Note (i))
Yichang Chia Tai Animal Husbandry Co., Ltd. (Note (i))

Company name (Chinese)

安徽卜蜂畜禽有限公司
北京大發正大有限公司

成都正大農牧食品有限公司
福建卜蜂畜禽有限公司
廣西正大畜禽有限公司
廣東湛江正大豬業有限公司

河北正大畜禽有限公司
河南正大農牧食品貿易有限公司

河南正大畜禽有限公司
湖南正大畜禽有限公司
佳木斯正大有限公司
江蘇正大蘇壘豬業有限公司
江西正大畜禽有限公司
開封正大有限公司
開封正大畜禽有限公司
昆明正大畜禽有限公司
蘭州正大食品有限公司
遼寧正大畜禽有限公司
南通正大畜禽有限公司
邳州正大食品有限公司
秦皇島正大有限公司
秦皇島卜蜂豬業有限公司
陝西正大食品有限公司
青島正大豬業有限公司
山東正大畜禽有限公司
襄樊正大農牧食品有限公司

咸寧正大農牧食品有限公司

新疆正大食品有限公司
宜昌正大畜牧有限公司

(vii) Non-controlling equity holders**Company name (English)**

Local State-owned Fujian Province Pucheng County
Biochemical Factory (Note (i))
Pucheng County Xinglv Gongyipin Co. Ltd. (Note (i))
Yiwu Jinhengyuan Investment Company Limited (Note (i))

Company name (Chinese)

地方國營福建省浦城縣
生物化學廠
浦城縣興旅工藝品有限公司
義烏金恆源投資有限公司

Note:

- (i) The official name of the entity is in Chinese. The English name is for identification purpose only.

Particulars of significant transactions between the Group and the above related parties for each of the years ended 31 December 2012, 2013 and 2014 are as follows:

	Year ended 31 December		
	2012	2013	2014
	US\$'000	US\$'000	US\$'000
<i>Continuing transactions:</i>			
Sales of goods to subsidiaries of CPP:			
C.P. Vietnam Corporation	251	1,402	4,170
Lanzhou Chia Tai Co., Ltd.	160	232	201
Nantong Chia Tai Technology Feed Co., Ltd.	269	163	144
Xiamen Chia Tai Agriculture Co., Ltd.	265	152	152
Others	1,882	1,248	1,722
	<u>2,827</u>	<u>3,197</u>	<u>6,389</u>
Sales of goods to joint ventures of CPP	<u>372</u>	<u>316</u>	<u>263</u>
Sales of goods to associates of CPP:			
Chia Tai Conti (Shekou) Limited	1,564	1,158	1,160
Others	132	36	60
	<u>1,696</u>	<u>1,194</u>	<u>1,220</u>
Sales of goods to subsidiaries of CPF	<u>139</u>	<u>206</u>	<u>33</u>
Sales of goods to subsidiaries of CPG	<u>569</u>	<u>268</u>	<u>377</u>
Rental expense of joint venture to subsidiaries of CPP	<u>9</u>	<u>10</u>	<u>5</u>
Guarantee fee of joint venture to subsidiaries of CPP	<u>508</u>	<u>415</u>	<u>198</u>
<i>Non-continuing transactions:</i>			
Technical service fee to CPP	<u>1,440</u>	<u>233</u>	<u>–</u>
Interest income from joint venture	<u>203</u>	<u>203</u>	<u>28</u>
Technical service fee to non-controlling equity holder	<u>226</u>	<u>–</u>	<u>–</u>

(b) **Outstanding balances with related parties**

- (i) Details of the Group's balances with joint venture, associate and related companies included in trade and bills receivables, prepayments, deposits and other receivables, trade payables and other payables and accruals are disclosed in notes 20, 21, 23 and 24 to the Financial Information, respectively.
- (ii) Details of the guarantees in respect of certain indebtedness of joint venture are included in note 30 to the Financial Information.

(c) **Compensation of key management personnel who are also directors of the Group**

	Year ended 31 December		
	2012	2013	2014
	US\$'000	US\$'000	US\$'000
Short term employee benefits	<u>532</u>	<u>532</u>	<u>801</u>

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Exposure to interest rate, credit, currency and liquidity currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Interest rate risk

The Group's exposure to market risk arising from changes in interest rates relates primarily to the Group's debt obligations. The Group does not use derivative financial instruments to hedge its debt obligations. The Group's exposure to market risk arising from changes in interest rates in respect of cash and cash equivalents is considered relatively minimal.

The following tables set out the carrying amounts of the Group's bank borrowings that are exposed to interest rate risk:

	As at 31 December					
	2012		2013		2014	
	Carrying amount	Effective interest rate	Carrying amount	Effective interest rate	Carrying amount	Effective interest rate
	US\$'000	%	US\$'000	%	US\$'000	%
Fixed rate denominated in:						
RMB	473	6.20	4,916	5.91	7,734	6.13
Floating rate denominated in:						
US\$	6,560	3.30	2,990	3.12	–	–
RMB	4,281	6.66	14,748	6.30	10,538	6.49
	<u>10,841</u>		<u>17,738</u>		<u>10,538</u>	

The sensitivity analysis below indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of combined equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those bank borrowings held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) and other components of combined equity is estimated as an annualised impact on interest expense or income, excluding the effect on interest capitalisation, of such a change in interest rates.

	As at 31 December		
	2012	2013	2014
	(Decrease)/ increase in profit after tax and equity	(Decrease)/ increase in profit after tax and equity	(Decrease)/ increase in profit after tax and equity
	US\$'000	US\$'000	US\$'000
Increase/(decrease) of basis points			
100	(77)	(141)	(80)
(100)	77	141	80
	<u> </u>	<u> </u>	<u> </u>

(b) Credit risk

The Group places its cash deposits with major banks and financial institutions. This cash management policy limits the Group's exposure to concentration of credit risk.

The credit risk associated with trade receivables is considered relatively minimal due to the Group's large customer base and its geographical dispersion. The Group performs ongoing credit evaluations of its customers' financial conditions. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The majority of cash from sales is maintained with major banks in mainland China.

(c) Foreign currency risk

The RMB are not freely convertible into foreign currencies. All foreign exchange transactions are conducted at the exchange rates quoted by the People's Bank of China. Payments for imported materials and the remittance of earnings outside mainland China are subject to the availability of foreign currencies.

The export sales of the Group are conducted primarily in US\$. For certain subsidiaries, joint venture and associate, funds denominated in RMB may have to be, and from time to time are, converted into US\$ or other foreign currencies for the purchase of imported materials and equipment.

Should the RMB appreciate/depreciate against the US\$, it may reduce/increase the foreign currency equivalent of such earnings available for distribution by these subsidiaries, joint venture and associate of the Company.

The following table demonstrates the sensitivity at the end of the reporting period to a possible change in RMB exchange rates, with all other variables held constant, of the Group's profit before tax and equity (due to changes in the fair value of monetary assets and liabilities of the Group's foreign subsidiaries).

	<u>Appreciation/ (depreciation) in RMB</u>	<u>(Decrease)/ increase in profit before tax</u>	<u>(Decrease)/ increase in equity*</u>
		US\$*000	US\$*000
Year ended 31 December 2012			
If US\$ weakens against RMB	3%	(482)	(362)
If US\$ strengthens against RMB	(3)%	482	362
	<u> </u>	<u> </u>	<u> </u>
Year ended 31 December 2013			
If US\$ weakens against RMB	3%	(654)	(556)
If US\$ strengthens against RMB	(3)%	654	556
	<u> </u>	<u> </u>	<u> </u>
Year ended 31 December 2014			
If US\$ weakens against RMB	3%	(506)	(430)
If US\$ strengthens against RMB	(3)%	506	430
	<u> </u>	<u> </u>	<u> </u>

* Excluding exchange fluctuation reserve

(d) Liquidity risk

The Group's objective is to maintain a balance between funding continuity and flexibility through the use of various types of bank borrowings.

The Group monitors current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and bank facilities to meet its liquidity requirements.

Except for the bank loans, the contractual undiscounted cash outflows of all the financial liabilities as at 31 December 2012, 2013 and 2014 are due within 1 year or on demand and equal their carrying value at each of the year end date, based on the earliest date the Group and the Company can be required to pay.

The following table shows the remaining contractual maturities at the end of each of the reporting period of the Group's bank loans, which are based on contractual undiscounted cash outflows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period).

	As at 31 December		
	2012	2013	2014
	US\$'000	US\$'000	US\$'000
Group:			
Contractual undiscounted cash outflow of bank loans			
– Within 1 year	8,944	19,620	16,304
– More than 1 year but less than 2 years . .	190	1,442	1,333
– More than 2 year but less than 5 years . .	3,220	2,624	1,247
	<u>12,354</u>	<u>23,686</u>	<u>18,884</u>

(e) Fair value of financial instruments

The carrying amounts of the Group's financial instruments approximate to their fair values.

(f) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012, 2013 and 2014.

35 SUBSEQUENT EVENTS

Save as disclosed elsewhere in this Financial Information, the following significant events took place subsequent to 31 December 2014:

(a) Distribution of interim dividends by Chia Tai Huazhong and Chia Tai Pucheng to CPP

On 30 April 2015, Chia Tai Huazhong and Chia Tai Pucheng declared interim dividends for the year ending 31 December 2015 of US\$2,010,000 and US\$2,161,000 respectively to CPP.

(b) Acquisition of Chia Tai Huazhong and Chia Tai Pucheng by the Company pursuant to the Reorganisation

On 11 June 2015, the Company acquired the entire equity interests of Chia Tai Pucheng and Chia Tai Huazhong from CPP at a consideration of HK\$118,715,551.85 (equivalent to US\$15,316,949.9). The consideration payable was recorded as deemed distributions to CPP on the same date.

(c) Offsetting of the balances due from/to CPP

On 11 June 2015, the balance due from CPP and the balance due to CPP (including the payables as detailed in note 35(a)) amounted to US\$678,568.7 and US\$4,171,000 respectively. The entire balance due from CPP was offset by the balance due to CPP of the same amount. The offsetting of balances due from/to CPP described above has no effect on the Group's net assets and net tangible assets.

(d) Capitalisation issue

By a shareholder's resolution dated 5 June 2015, conditional on the Stock Exchange of Hong Kong Limited granting approval for the listing, the sole shareholder of the Company resolved that the Company would issue up to 228,766,372 ordinary shares and 12,610,777 preference shares to CPP by capitalising (i) the balance due to CPP arising from the consideration payable of US\$15,316,949.9 pursuant to the Reorganisation as detailed in note 35(b) above, (ii) the remaining net amount due to CPP of US\$3,492,431.3 as of 11 June 2015 as details in note 35(c) above, and (iii) up to the amount of US\$5,328,333.7 out of its retained profits.

The distribution of interim dividends to CPP, deemed distributions to CPP in connection with the consideration payable under the Reorganisation and the capitalisation of the net amount due to CPP described above have the net effect of decreasing the Group's net assets and net tangible assets by US\$678,568.7.

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BY NOT YET EFFECTIVE

Up to the date of issue of this Financial Information, the IASB has issued a few amendments and new standards which are not yet effective for the Relevant Periods and which have not been adopted in this Financial Information. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
<i>Annual improvements to IFRSs 2010-2012 cycle</i>	1 July 2014
<i>Annual improvements to IFRSs 2011-2013 cycle</i>	1 July 2014
Amendments to IFRS 11, <i>Accounting for acquisitions of interests in joint operations</i> .	1 January 2016
Amendments to 16 and IAS 38, <i>Clarification of acceptable methods of depreciation and amortisation</i>	1 January 2016
IFRS 15, <i>Revenue from contracts with customers</i>	1 January 2017
IFRS 9, <i>Financial instruments</i>	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

C SUBSEQUENT FINANCIAL STATEMENTS AND DIVIDENDS

No audited financial statements have been prepared by the Company and its subsidiaries now comprising the Group in respect of any period subsequent to 31 December 2014. Save as disclosed in Section B of the Financial Information, no dividend or distribution has been declared or made by any companies comprising the Group in respect of any period subsequent to 31 December 2014.

Yours faithfully,

KPMG

Certified Public Accountants

Hong Kong

1 MEMORANDUM OF ASSOCIATION

The Memorandum of Association states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares held by the members and that the Company is an exempted company as defined in the Companies Act. The Memorandum of Association also sets out the powers of the Company and the objects for which the Company was formed, including acting as a holding and investment company. As an exempted company, the Company will be carrying on business outside Bermuda from a place of business in Bermuda.

In accordance with and subject to section 42A of the Companies Act, the Memorandum of Association of the Company empowers it to purchase its own shares and this power is exercisable by the Board upon such terms and subject to such conditions as it thinks fit.

2 BYE-LAWS

The Bye-laws of the Company were adopted on 5 June 2015. The following is a summary of certain provisions of the Bye-laws.

(i) Shares

(a) *Classes of Shares*

The share capital of the Company consists of Ordinary Shares and Preference Shares.

A summary of the principal terms of the Preference Shares is set out below.

Par value:	US\$0.10 each
Distribution value:	The distribution value per Preference Share is equal to 100 times the amount of the Distribution per CPP Share on the Distribution Record Date (whether such share is a CPP Ordinary Share or a CPP Preference Share).
Conversion period:	Any time after issue, provided that the conversion right will be suspended to the extent that it would result in the Company failing to comply with any public float requirement under the Listing Rules applicable to the Company.

Conversion ratio:	Each Preference Share shall be convertible into such number of Ordinary Share(s) being one (1) multiplied by the conversion rate. The conversion rate shall be determined by dividing the distribution value of each Preference Share by the conversion price. The initial conversion rate is one (1) Preference Share to one (1) Ordinary Share.
Conversion price:	<p>The initial conversion price is the distribution value.</p> <p>The conversion price is subject to adjustment upon the occurrence of certain prescribed events (including consolidation, subdivision or reclassification of shares, capitalization of profits or reserves, capital distributions, rights issues of Ordinary Shares or options over Ordinary Shares, and issues of convertible securities with consideration at less than the conversion price), but provided that the conversion price shall not be less than the then subsisting nominal value of an Ordinary Share into which such Preference Share is being converted. If any adjustment is required to be made to the conversion price, an announcement will be made by the Company.</p>
Dividends and distributions:	Each Preference Share shall confer on the holder thereof the right to receive dividend pari passu with holders of Ordinary Shares on the basis of the number of Ordinary Share(s) into which each Preference Share may be converted and on an as converted basis.
Voting rights:	The holder(s) of Preference Shares shall not have the right to attend and vote at a general meeting (except a general meeting for winding-up of the Company).

Ranking:	On a distribution of assets on liquidation, winding-up or dissolution of the Company, the assets and funds of the Company available for distribution among the members of the Company shall, subject to applicable laws, be applied in the following priority: (i) firstly, in paying to the holders of the Preference Shares, <i>pari passu</i> as between themselves by reference to the aggregate nominal amounts of the Preference Shares held by them respectively, an amount equal to, respectively, the aggregate of the distribution value of all of the Preference Shares held by them respectively; and (ii) secondly, the balance of such assets shall be distributed on a <i>pari passu</i> basis among the holders of any class of shares in the capital of the Company other than the Preference Shares and other than any shares which are not entitled to participate in the distribution of such assets, by reference to the aggregate nominal amounts of the shares held by them respectively; and (iii) the remaining balance of such assets shall belong to and be distributed on a <i>pari passu</i> basis among the holders of any class of shares including the Preference Shares, other than any shares not entitled to participate in the distribution of such assets, by reference to the aggregate nominal amount of shares held by them respectively.
Transferability:	The Preference Shares shall be transferable by the holders thereof without any restriction.
Redemption:	The Preference Shares shall be non-redeemable by the Company or the holders thereof.
Listing:	No application will be made for the listing of the Preference Shares on the Stock Exchange or any other stock exchange.

(b) Share certificates

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, which for this purpose may be a securities seal. In relation to the use of the securities seal for sealing certificates for shares or other securities of the Company, no signature of any Director, officer or other person and no mechanical reproduction thereof shall be required on any such certificates or other document and any such certificates or other document to which such securities seal is affixed shall be valid and deemed to have been sealed and executed with the authority of the Board notwithstanding the absence of any such signature or mechanical reproduction as aforesaid.

The Company shall not be bound to register more than four persons as joint holders of any Share.

(ii) Directors

(a) Power to allot and issue Shares

Without prejudice to any special rights or restrictions for the time being attaching to any shares or any class of shares, any share may be issued upon such terms and conditions and with such preferred, deferred or other special rights, or such restrictions, whether as regards dividend, voting, return of capital or otherwise, as the Company may from time to time by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine) and any preference share may, subject to the Companies Act and with the sanction of a special resolution, be issued on terms that it is liable to be redeemed upon the happening of a specified event or upon a given date and either at the option of the Company or, if so authorised by the Memorandum of Association of the Company, at the option of the holder.

The Board may, subject to the approval by the members in general meeting, issue warrants to subscribe for any class of shares or securities of the Company on such terms as the Board may from time to time determine. Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Act and the Bye-laws, and to the permission of the Bermuda Monetary Authority being obtained, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and generally on such terms as it shall in its absolute discretion think fit, but so that no shares shall be issued at a discount.

(b) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Bye-laws relating to the disposal of the assets of the Company or any of its subsidiaries although the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Bye-laws or the statutes to be exercised or done by the Company in general meeting.

(c) Compensation or payments for loss of office

Payments to any Director or past Director of the Company of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(d) Loans to Directors

There are no provisions in the Bye-laws relating to the making of loans to Directors. However, the Companies Act contains restrictions on companies making loans to their directors, the relevant provisions of which are summarised in section 4(xiv) of this Appendix.

(e) Financial assistance to acquire shares of the Company

- (I) Subject, where applicable, to the rules of any relevant stock exchange, the Company may in accordance with an employees' share scheme approved by the members in general meeting provide money on such terms as the Board thinks fit for the acquisition of fully or partly paid shares in the Company or its holding company. An employees' share scheme is a scheme for encouraging or facilitating the holding of shares or debentures in the Company by or for the benefit of the bona fide employees or former employees (including, notwithstanding section 96 of the Companies Act, any such bona fide employee or former employee who is or was also a Director) of the Company, the Company's subsidiary or holding company or a subsidiary of the Company's holding company, or the wives, husbands, widows, widowers or children or step-children under the age of twenty-one of such employees or former employees;

- (II) Subject, where applicable, to the rules of any relevant stock exchange, the Company, the Company's subsidiary or holding company or a subsidiary of the Company's holding company may make loans to persons (including, notwithstanding section 96 of the Companies Act, any such bona fide employee or former employee who is or was also a Director) employed in good faith by the Company with a view to enabling those persons to acquire fully or partly paid shares in the Company or its holding company to be held by them by way of beneficial ownership; and
- (III) The conditions subject to which money and loans are provided may include a provision to the effect that when an employee ceases to be employed by the Company, the shares acquired with such financial assistance shall or may be sold to the Company or such other company on such terms as the Board thinks fit.

(f) Disclosure of interests in contracts with the Company or any of its subsidiaries

Subject to the Companies Act, a Director may hold any other office or place of profit with the Company (except that of Auditor) in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine. A Director of the Company may be or become a director or other officer of, or be otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profit or other benefit received by him as a director or officer of or from his interest in such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company. A Director shall not vote or be counted in the quorum on any resolution of the Board concerning his own appointment as the holder of any office or place of profit with the Company or any other company in which the Company is interested (including the arrangement or variation of the terms thereof, or the termination thereof).

Subject to the provisions of the Companies Act and the Bye-laws, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor will any such contract or any other contract or arrangement in which any Director is in any way

interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case at the first meeting of the Board after he knows that he is or has become so interested.

Save as otherwise provided by the Bye-laws, a Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement in which he or any of his close associates has a material interest, and if he does so his vote shall not be counted, but this prohibition will not apply to any of the following matters namely:—

- (I) any contract or arrangement for the giving by the Company of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company and any of its subsidiaries;
- (II) any contract or arrangement for the giving by the Company of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility or guaranteed or secured in whole or in part whether solely or jointly;
- (III) any proposal concerning an offer of the shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (IV) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (V) any proposal concerning any other company in which the Director or his close associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director or his close

associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his close associates are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his close associates is derived) or of the voting rights;

- (VI) any proposal or arrangement for the benefit of employees of the Company or its subsidiaries including the adoption, modification or operation of a pension fund or retirement, death or disability benefit scheme which relates both to Directors, his close associate(s) and employees of the Company or any of its subsidiaries and does not give the Director or his close associate(s), as such any privilege not generally accorded to the class of persons to whom such scheme or fund relates; and
- (VII) any proposal or arrangement concerning the adoption, modification or operation of any employee's share scheme involving the issue or grant of options over shares or other securities by the Company to, or for the benefit of, the employees of the Company or its subsidiaries under which the Director or his close associate(s) may benefit.

(g) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as is from time to time determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the Board may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing provisions shall not apply to a Director who holds any salaried employment or office in the Company except in the case of sums paid in respect of Directors' fees. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them respectively in or about the performance of their duties as Directors, including their expenses of travelling to and from board meetings, committee meetings or general meetings, or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors. The Board may grant special remuneration to any Director, who being called upon, performs any special or extra services to or at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be arranged. Notwithstanding the foregoing the remuneration of a managing director, joint managing director, deputy managing director or other executive director or a Director appointed to any other

office in the management of the Company may be fixed from time to time by the Board and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including pension (and/or gratuity) and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration is in addition to his remuneration as a Director.

The Board also has power to establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds for the benefit of, or to give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of the Company, or of any company which is a subsidiary of the Company, or is allied or associated with the Company or with any such subsidiary company, or who are or were at any time Directors or officers of the Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in the Company or such other company, and the spouses, widows, widowers, families and dependents of any such persons and may make payments for or towards the insurance of any such persons. Any Director holding any such employment or office is entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument.

(h) Retirement, appointment and removal

At each annual general meeting one-third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest one-third) will retire from office by rotation. The Directors to retire in every year will be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office at least seven days before the date of the general meeting.

Directors of the Company are entitled to attend and speak at all general meetings.

The number of Directors shall not be less than two. A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for breach of any contract of service between him and the Company). The Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the Board.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The Board may from time to time entrust to and confer upon a managing director, joint managing director, deputy managing director or executive director all or any of the powers of the Board that it may think fit provided that the exercise of all powers by such Director shall be subject to such regulations and restrictions as the Board may from time to time make and impose. The Board may delegate any of its powers to committees consisting of such member or members of its body and such other persons as the Board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed upon it by the Board.

(i) Borrowing powers

Subject to the provisions of the Companies Act, the Board may from time to time at its discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and uncalled capital or any part thereof. The Board may raise or secure the payment or repayment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit and in particular by the issue of debentures, debenture stock, bonds or other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(iii) Alterations to constitutional documents

The Memorandum of Association of the Company may, with the consent of the Minister of Finance of Bermuda (the “Minister”) (if required), be altered by the Company in general meeting. The Bye-laws may be amended by the Directors subject to the approval of the Company in general meeting. The Bye-laws state that a special resolution is required to alter the Memorandum of Association, to approve any amendment of the Bye-laws or to change the name of the Company.

(iv) Alterations of capital

The Company may from time to time by ordinary resolution:–

- (a) increase its share capital by the creation of new shares;
- (b) consolidate or divide all or any of its share capital into shares of larger amount than its existing shares; on any consolidation of fully paid shares into shares of larger amount, the Board may settle any difficulty which may arise as it

thinks expedient and in particular (but without prejudice to the generality of the foregoing) may, as between the holders of the shares to be consolidated, determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Board for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares ratably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

- (c) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;
- (d) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled;
- (e) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the Companies Act, and so that the resolution whereby any shares is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares;
- (f) change the currency denomination of its share capital; and
- (g) subject to applicable regulatory requirements, make provision for the issue and allotment of shares which do not carry any voting rights.

The Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account or other undistributable reserve in any manner authorised and subject to any conditions prescribed by law.

(v) Variation of rights of existing shares or classes of shares

If at any time the capital is divided into different classes of shares, all or any of the special rights (unless otherwise provided for by the terms of issue of that class) attached to any class may, subject to the provisions of the Companies Act, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal

value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate class meeting the provisions of the Bye-laws relating to general meetings will mutatis mutandis apply, but so that the necessary quorum is not less than two persons holding or representing by proxy one-third in nominal value of the issued shares of the class, and that any holder of shares of the class present in person or by proxy or by a duly authorised corporate representative may demand a poll.

(vi) Special resolutions – majority required

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast of such members as, being entitled so to do, vote in person or, where a corporate representative is allowed, by a duly authorised corporate representative or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

(vii) Voting rights and right to demand a poll

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a show of hands every member who is present in person or by a duly authorised corporate representative or by proxy shall have one vote and on a poll, every member present in person or by a duly authorised corporate representative or by proxy shall have one vote for every share of which he is the holder which is fully paid up or credited as fully paid (but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share). On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes in the same way.

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded by (i) the Chairman of the meeting; or (ii) by at least three members present in person or by proxy or by a duly authorised corporate representative for the time being entitled to vote at the meeting; or (iii) by any member or members present in person or by proxy or by a duly authorised corporate representative and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or (iv) by a member or members present in person or by proxy or by a duly authorised corporate representative and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Without prejudice to the rights set out in paragraph (v) above, the Preference Shares shall not confer on the Preference Shareholders the right to attend and vote at a general meeting of the Company, unless a resolution is to be proposed at a general meeting for winding-up of the Company, in which event the Preference Shares shall confer on the Preference Shareholders the right to attend and vote at that general meeting, save that such Preference Shareholders may not vote on any business dealt with at such general meeting except the election of a Chairman, any motion for adjournment and the resolution for winding-up.

Where Preference Shareholders are entitled to vote on any resolution, at the relevant general meeting or class meeting, on a show of hands every Preference Shareholder who is present in person or by proxy or (being a corporation) by a representative shall have one vote, and on a poll, every Preference Shareholder who is present in person or by proxy or (being a corporation) by a representative shall have one vote for each Ordinary Share into which the Preference Shares held by him would be converted based on a Conversion Date for such Preference Shares being a date 2 Business Days preceding the date of such general meeting or class meeting.

(viii) Requirements for annual general meetings

An annual general meeting must be held once in every year and within not more than fifteen months after the last preceding annual general meeting.

(ix) Accounts and audit

The Board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipts and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Act affecting the Company or necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of account are to be kept at the head office or at such other place as the Board thinks fit and shall always be open to the inspection of the Directors provided that such records as are required by the Companies Act shall also be kept at the registered office. No member (not being a Director) or other person has any right to inspect any account or book or document of the Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or authorised by the Board or by the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports as are required by the Companies Act. Every balance sheet of the Company shall be signed on behalf of the Board by two Directors and a copy of

every balance sheet (including every document required by law to be comprised therein or attached or annexed thereto) and profit and loss account which is to be laid before the Company at its annual general meeting, together with a copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one days before the date of the meeting, be sent to every member of, and every holder of debentures of, the Company and every other person entitled to receive notices of general meetings of the Company under the Companies Act or of the Bye-laws. If all or any of the shares or debentures of the Company are for the time being (with the consent of the Company) listed or dealt in on any stock exchange, there shall be forwarded to the appropriate officer of such stock exchange such number of copies of such documents as may for the time being required under its regulations or practice.

Auditors shall be appointed and their duties regulated in accordance with the Companies Act. Subject as otherwise provided by such provisions the remuneration of the auditors shall be fixed by or on the authority of the Company at each annual general meeting, but in respect of any particular year, the Company in general meeting may delegate the fixing of such remuneration to the Board.

(x) Notices of meetings and business to be conducted thereat

An annual general meeting must be called by twenty-one days' notice in writing at least and any special general meeting shall be called by at least fourteen days' notice in writing (in each case exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given). The notice shall specify the place, the day and the hour of meeting and, in the case of special business, the general nature of that business.

Any notice or document to be given to or by any person pursuant to these Bye-laws may be served on or delivered to any shareholder of the Company either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such shareholder at his registered address as appearing in the register or by leaving it at that address addressed to the shareholder or by any other means authorised in writing by the shareholder concerned or (other than share certificates) by publishing it by way of advertisement in at least one English language newspaper and one Chinese language newspaper circulating generally in the Hong Kong. In case of joint holders of a share, all notices shall be given to that one of the joint holders whose name stands first in the register and notice so given shall be sufficient notice to all the joint holders. Without limiting the generality of the foregoing but subject to the applicable laws of Bermuda and any rules prescribed by The Stock Exchange of Hong Kong Limited from time to time, a notice or document may be served or delivered by the Company to any shareholder by electronic means to such address as may from time to time be authorised by the shareholder concerned or by publishing it on a computer network and notifying the shareholder concerned, in such manner as he may from time to time authorise, that it has been so published.

(xi) Transfer of shares

All transfers of shares must be effected by transfer in writing in the usual or common form or in any other form acceptable to the Board and may be under hand or by means of mechanically imprinted signatures or such other manner as the Board may from time to time approve. An instrument of transfer must be executed by or on behalf of the transferor and by or on behalf of the transferee and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor shall shares on any branch register be transferred to the principal register or any other register. All transfers and other documents of title must be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the transfer office in Bermuda.

The Board may in its absolute discretion and without assigning any reason therefore, refuse to register any transfer of any shares (not being fully paid shares) to a person of whom it does not approve and it may refuse to register the transfer of any shares (not being fully paid shares) on which the Company has a lien. The Board may also refuse to register a transfer of shares (whether fully paid or not) in favour of more than four persons jointly. If the Board refuses to register a transfer, it will within two months after the date on which the transfer was lodged with the Company send to the transferor and transferee notice of the refusal.

The Board may decline to recognise any instrument of transfer unless a fee of such sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time determine is paid to the Company in respect thereof has been paid, the shares are free of any lien in favour of the Company, the instrument of transfer is properly stamped, is in respect of only one class of share and is lodged at the relevant registration or transfer office accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do). Where applicable, the permission of the Bermuda Monetary Authority with respect thereto shall be obtained.

The registration of transfers may, on giving notice by advertisement in an appointed newspaper in Bermuda and in one or more newspapers circulating in Hong Kong, be suspended at such times and for such periods as the Board may from time to time determine and either generally or in respect of any class of shares. The register of members shall not be closed for more than thirty days in any year.

Fully paid Shares shall be free from any restriction with respect to the right of the holder thereof to transfer such Shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

(xii) Power for the Company to purchase its own shares

The Bye-laws give the Board the power to determine the terms and conditions subject to which this power is to be exercised.

(xiii) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Bye-laws relating to ownership of the Company by a subsidiary.

(xiv) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board.

Each Preference Share shall confer on the holder thereof the right to receive, out of the funds of the Company available for distribution and resolved to be distributed, dividend *pari passu* with holders of Ordinary Shares on the basis of the number of Ordinary Share(s) into which each Preference Share may be converted in accordance with the provisions of the Bye-laws and on an as converted basis.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends will be apportioned and paid *pro rata* according to the amounts paid or credited as paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid upon a share in advance of calls will for this purpose be treated as paid up on the shares. The Board may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Board may deduct from any dividend or bonus payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the Board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit. The Company may also upon the recommendation

of the Board by a special resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any Shares held by him, and in respect of all or any of the moneys so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the Share or the due portion of the Shares upon which payment has been advanced by such member before it is called up.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on 2 consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(xv) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company or a meeting of the holders of any class of shares in the Company is entitled to appoint another person as his proxy to attend and vote instead of him. Votes, whether on a show of hands or on a poll may be given either personally or by a duly authorised corporate representative or by proxy. A member holding two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a member of the Company.

The instrument appointing a proxy, shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

The instrument appointing a proxy to vote at a general meeting shall: (i) be deemed to confer authority upon the proxy to demand or join in demanding a poll and to vote on any resolution (or amendment thereto) put to the meeting for which it is given as the

proxy thinks fit. Provided that any form issued to a member for use by him for appointing a proxy to attend and vote at a special general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business; and (ii) unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates.

Where that member is a recognised clearing house within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), it may appoint such person or persons as it thinks fit to act as its proxy or proxies or as its corporate representative or representatives, to the extent permitted by the Companies Act, at any members' general meeting or any meeting of any class of members provided that if more than one proxy or corporate representative is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy or corporate representative is to be appointed. The person so appointed will be entitled to exercise the same powers on behalf of the clearing house (or its nominee) which he represents as that clearing house (or its nominee) could exercise as if it were an individual member of the Company including the right to vote individually on a show of hands. The number of persons a clearing house may appoint to act as its corporate representative or representatives shall not exceed the number of shares held by the clearing house (or its nominee), being shares in respect of which there is an entitlement to attend and vote at the relevant meeting.

In addition, a proxy or proxies representing either an individual member or a member which is a corporation, shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise including the right to vote individually on a show of hands.

(xvi) Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20 per cent per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of fourteen days from the date of the notice) on or before which the payment required by the notice is to be made, and it will also name the place where payment is to be made, such place being either the registered office of the Company, or some other place at which calls of the Company are usually made payable. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all moneys which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent per annum as the Board may prescribe.

(xvii) Inspection of register of members

There are no provisions in the Bye-laws relating to inspection of the register of members.

(xviii) Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two members present in person or by a duly authorised corporate representative or by proxy and entitled to vote. In respect of a separate class meeting convened to sanction the modification of class rights, the necessary quorum shall not be less than two persons holding or representing by proxy or by a duly authorised corporate representative one-third in nominal value of the issued shares of that class.

(xix) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Bye-laws relating to rights of minority members in relation to fraud or oppression. However, Bermuda company law provides for protection of minorities, as summarised in paragraph 4(xv) of this Appendix.

(xx) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily must be a special resolution.

If the Company shall be wound up, the surplus assets remaining after payment to all creditors are to be divided among the members in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid up capital, they are to be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively, all subject to the rights of any shares issued on special terms and conditions.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the sanction of a special resolution, divide among the members in specie or kind the whole or any part of the assets of the Company and whether the assets consist of property of one kind or consists of properties of different kinds and the liquidator may, for such purposes, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division is to be carried out as between the members or different classes of members and the members within each class. Under the Companies Act the liquidator may, with the like sanction, vest any one or more class or classes of property and may determine how such division shall be carried out as between the members or different classes of members. Under the Companies Act, the liquidator may, with like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like sanction shall think fit, but so that no member shall be compelled to accept any shares or other assets upon which there is a liability.

On a distribution of assets on liquidation, winding-up or dissolution of the Company (but not on conversion of Preference Shares or any repurchase or buy-back by the Company of Preference Shares or Ordinary Shares), the assets and funds of the Company available for distribution among the members of the Company shall, subject to applicable laws, be applied in the following priority:

- (i) firstly, in paying to the Preference Shareholders, *pari passu* as between themselves by reference to the aggregate nominal amounts of the Preference Shares held by them respectively, an amount equal to, respectively, the aggregate of the Distribution Value (as defined in the Bye-laws) of all of the Preference Shares held by them respectively; and
- (ii) secondly, 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 Preference Shares and other than any shares which are not entitled to participate of 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 Preference Shares, other than any other shares not entitled to participate in such assets, by reference to the aggregate nominal amount of shares held by them respectively.

(xxi) Stock

The Company may by ordinary resolution convert any fully paid up shares into stock, and may from time to time by like resolution reconvert any stock into fully paid up shares of any denominations. The holders of stock may transfer the same or any part thereof in the same manner, and subject to the same regulations as and subject to which the shares from which the stock arose might prior to conversion have been transferred or as near thereto as circumstances admit, but the Board may from time to time, if it thinks fit, fix the minimum amount of stock transferable and restrict or forbid the transfer of fractions of that minimum, but so that such minimum shall not exceed the nominal amount of the shares from which the stock arose. No warrants to bearer shall be issued in respect of any stock. The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards dividends, participation in assets on a winding-up, voting at meetings and other matters, as if they held the shares from which the stock arose, but no such privilege of the Company shall be conferred by an amount of stock which would not, if existing in shares, have conferred such privilege or advantage. All such of the provisions of the Bye-laws as are applicable to paid up shares shall apply to stock, and the words “share” and “member” therein shall include “stock” and “stockholder”.

(xxii) Untraceable members

The Company shall have the power to sell, in such manner as the Board thinks fit, any shares of a member who is untraceable, but no such sale shall be made unless:–

- (a) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares in respect of them sent during the relevant period in the manner authorised by the Bye-Laws of the Company have remained uncashed;
- (b) so far as it is aware at the end of the relevant period, the Company has not at any time during the relevant period received any indication of the existence of the member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operation of law;
- (c) the Company has caused an advertisement to be inserted in the newspapers of its intention to sell such shares and a period of three months has elapsed since the date of such advertisement; and
- (d) the Company has notified the Stock Exchange of its intention to effect such sale.

(xxiii) Other provisions

The Bye-laws provide that, subject to the Companies Act, if any of the rights attached to any warrants issued by the Company shall remain exercisable and the Company does any act which would result in the subscription price under such warrants being reduced below the par value of a share, a subscription right reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3 VARIATION OF MEMORANDUM OF ASSOCIATION AND BYE-LAWS

The Memorandum of Association of the Company may be altered by the Company in general meeting and if the Company intends to carry on any “restricted business activity” for the purposes of the Companies Act, the prior consent of the Minister of Finance of Bermuda will also be required. The Bye-laws may be amended by the Board subject to the approval of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter provisions of the Memorandum of Association, to approve any amendment of the Bye-laws or to change the name of the Company. For these purposes a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast of such members of the Company as, being entitled so to do, vote in person or, by a duly authorised corporate representative or, where permitted, by proxy at an annual general meeting of which not less than 21 days’ notice or at a special general meeting of which not less than 14 days’ notice specifying the intention to propose the resolution as a special resolution has been duly given. The requirement of 21 days’ notice (or 14 days’ notice, as the case may be) may be waived (a) in the case of a special general meeting, by a majority number of the members having the right to attend and vote at the relevant meeting, being a majority holding not less than 95 per cent. in nominal value of the shares giving that right; and (b) in the case of an annual general meeting, if it is so agreed by all members entitled to attend and vote thereat.

4 BERMUDIAN PROVISIONS

The summary does not purport to contain all applicable qualifications and exemptions and does not purport to be a complete review of all matters of Bermuda company law or a comparison of provisions that may differ from the laws of other jurisdictions, with which interested parties may be more familiar.

The company law of Bermuda is historically derived, for the most part, from the laws of England and is essentially embodied in the provisions of the Companies Act, most of which are drawn from the Companies Act 1948 of the United Kingdom, with certain reliance placed upon the laws of Ontario, Canada and, to some extent, upon the Companies Ordinance of Hong Kong. Other provisions are original Bermuda provisions endeavouring to cater to the specific circumstances of international business in Bermuda; these relate specifically to concepts not recognised in other jurisdictions (e.g. exempted as opposed to local companies) and contain particular emphasis on the restrictions imposed upon exempted companies with regard to what they may do in Bermuda as opposed to outside Bermuda from a place of business in Bermuda. The common law of England and Wales constitutes persuasive precedent and authority in the Bermuda courts.

(i) Incorporation

The Company was incorporated by registration pursuant to the provisions of the Companies Act on 16 October 1987. The Company was brought into existence by depositing the Memorandum of Association with the Registrar of Companies in Bermuda (the “Registrar”).

(ii) Constituent Documents

The business activities of the Company will be governed by the provisions of its Memorandum of Association which sets out, in detail, its specific business objects, and the powers that may be exercised in support of its principal business objects. Bermuda law distinguishes between objects and powers, the latter of which are regarded as supplemental to the principal business objects of the Company.

The Companies Act provides that the objects set out in the different paragraphs of the objects clause in the Memorandum of Association or included therein by reference shall not, unless otherwise stated, be limited or restricted in any way by reference to or inference from the terms of any other paragraph in the Memorandum of Association and such objects may be carried out in as full and ample a manner and construed in such a manner as if each paragraph defined the objects of a separate and independent company and each is construed as a primary object.

The Memorandum of Association may be altered under the provisions of the Companies Act and which alteration must also conform to Bermuda policy. It is required that the consent of the members of the Company in general meeting be given, following due notice of the intention of the meeting, before a Memorandum of Association may be altered. It is required that following the passage of a resolution of the members in general meeting approving the alteration, certain filings be made with the Registrar. Prior to taking formal steps in relation to the alteration of the Memorandum of Association, it will be necessary to obtain the Minister’s consent if the Company carries on any “restricted business activity” within the definition of section 4A of the Companies Act.

The Bye-laws will govern the Company’s administration and the relationship between its members and the Board of Directors. The Bye-laws are required, by Section 13 of the Companies Act, to make provision for a certain limited number of matters. It furthermore provides that certain additional matters may be included in the Bye-laws for the better regulation of the Company.

The members of the Company are entitled to receive copies of the Memorandum of Association and its Bye-laws upon request, which obligation is established by the provisions of the Companies Act. The Companies Act provides that all persons who agree to become members of the Company shall upon entry on the register of members, which shall include the branch register, be deemed to be members of the Company.

(iii) Taxation

In Bermuda there are no taxes on profits, income or dividends, nor is there any capital gains tax, estate duty or death duty. Profits can be accumulated and it is not obligatory for a company to pay dividends. The Company is required to pay an annual government fee (the “Government Fee”), which is determined on a sliding scale by reference to a company’s authorised share capital and share premium account, with the minimum fee being BD\$1,995 and the maximum fee being BD\$31,120 (the Bermuda dollar is treated at par with the U.S. dollar). The Government Fee is payable at the end of January in every year and is based on the authorised share capital and share premium account as they stood at the 31 August in the preceding year.

The Bermuda government has enacted legislation under which the Minister is authorised to give an assurance to an exempted company or a partnership that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income or computed on any capital asset, gain or appreciation, then the imposition of any such tax shall not be applicable to such entities or any of their operations. In addition, there may be included an assurance that any such tax or any tax in the nature of estate duty or inheritance tax, shall not be applicable to the shares, debentures or other obligations of such entities. This assurance has been obtained by the Company for a period ending 28 March 2016.

(iv) Stamp Duty

The law relating to stamp duties has been fundamentally changed as a result of the enactment of certain legislation that came into force on the 1 April, 1990. Stamp duty is no longer chargeable in respect of the incorporation, registration or licensing of an exempted company, nor, subject to certain minor exceptions, on their transactions. Accordingly, no stamp duty will be payable on the increase in or the issue or transfer of the share capital of the Company.

(v) Prospectus issues and public offers

The Companies Act regulates the issue of shares by way of public offer. It requires that, before or as soon as reasonably practicable after an offer of shares to the public (defined in the case of an exempted company as, inter alia, an offer calculated to result directly or indirectly in the shares becoming available to more than thirty-five persons), the Company shall have first published, in writing, a prospectus signed by or on behalf of all the Directors and shall have filed a copy with the Registrar. It also requires that a certificate, signed by an attorney in Bermuda, be filed with the prospectus, certifying that the prospectus contains certain particulars required by the Companies Act and is accompanied by a written statement from the auditor of the Company wherein the auditor confirms his consent to the inclusion of his report in the prospectus to be issued by the Company. However, it is not necessary to publish and file a copy of the prospectus with

the Registrar where (i) the shares are listed on an appointed stock exchange or an application has been made for the shares to be so listed, and the rules of the appointed stock exchange do not require the company to publish and file a prospectus at such time or in such circumstances; (ii) the company is subject to the rules or regulations of a competent regulatory authority and such rules or regulations do not require the company to publish and file a prospectus at such time or in such circumstances, except where exemption from publication and filing of a prospectus is given by reason of the offer being made only to persons who are resident outside the jurisdiction of the authority; or (iii) an appointed stock exchange or any competent regulatory authority has received or otherwise accepted a prospectus or other document in connection with the offer of shares to the public. The following are some of the stock exchanges or regulatory authorities approved by the Minister and designated as:-

Appointed Stock Exchanges

Australian Stock Exchange Ltd.
The Bermuda Stock Exchange
The Bolsa de Madrid
Boston Stock Exchange, Inc.
Bourse de Montreal
Bursa Malaysia Securities Berhad
Canadian Dealing Network
Canadian Venture Exchange
The Commission de Surveillance du Secteur Financier
The Euro MTF Market
The Euronext Exchange
European Association of Security Dealers Automated Quotation S.A. (EASDAQ)
Frankfurt Stock Exchange
Indonesia Stock Exchange
The Irish Stock Exchange
JASDAQ Market
The Johannesburg Stock Exchange
London Stock Exchange
London Stock Exchange – Alternative Investment Market (AIM)
Moscow Interbank Currency Exchange (A-1 Quotation List)
NASDAQ Dubai
The Nasdaq Stock Market, Inc.
New York Stock Exchange, Inc.
New Zealand Stock Exchange
Nya Marknaden
NYSE Euronext
Oslo Axess
Oslo BØrs
Paris Bourse
PLUS Markets
Sao Paulo Stock Exchange
Shanghai Stock Exchange

Shenzhen Exchange
Singapore Exchange Securities Trading Limited
Societe de la Bourse de Luxembourg S.A.
Specialist Fund Market
The Stock Exchange of Hong Kong Ltd.
Stockholm Stock Exchange
Swiss Exchange
Taiwan Stock Exchange
Tel Aviv Stock Exchange
Tokyo Stock Exchange
The Toronto Stock Exchange
The TSX Venture Exchange
Viennese Stock Exchange

Competent Regulatory Authorities

Australian Securities and Investments Commission
Austrian Federal Ministry of Finance
Bermuda Monetary Authority
The Commission de Surveillance du Secteur Financier
Dubai Financial Services Authority
Financial Services Authority
Hong Kong Securities and Futures Commission
Japanese Financial Services Agency and its delegate, the Kanto Local Finance
Bureau of the Ministry of Finance of Japan
Luxembourg Commissariat aux Bourses
The Monetary Authority of Singapore
Ontario Securities Commission
Securities and Exchange Commission of Brazil
Securities Commission, Malaysia
Swiss Exchange
United States Securities and Exchange Commission

Accordingly, where an appointed stock exchange or any competent regulatory authority has received or otherwise accepted a prospectus as a basis for offering shares to the public, the Company need not comply with the requirements of the Companies Act as to the detailed content of the prospectus, nor set out the minimum subscription which must be raised by the issue of shares. If otherwise, then every prospectus shall contain particulars with regard to the minimum subscription which must be raised by the issue of shares in order to provide the sums, or, if any part thereof is to be defrayed in any other manner, the balance of the sums required to be provided, in respect of each of the following matters:—

- (a) the purchase price of any assets purchased or to be purchased which is to be defrayed in whole or in part out of the proceeds of the issue;

- (b) any preliminary expenses payable by the Company, and any commission so payable to any person in consideration of his agreeing to subscribe for, or if he is procuring or agreeing to procure subscriptions for, any shares in the Company;
- (c) the repayment of any monies borrowed by the Company in respect of any of the foregoing matters;
- (d) working capital; and
- (e) the amount to be provided in respect of the matters aforesaid otherwise than out of the proceeds of the issue and the sources out of which those amounts are to be provided.

Furthermore where any company continuously over a period offers shares to the public, it shall, when any of the particulars in a prospectus issued by that company ceases to be accurate in a material respect, as soon as reasonably practicable, publish supplementary particulars, file a copy thereof with the Registrar as well as give a copy of the same to each member of the company.

The Companies Act provides for both criminal offences in relation to the making of an untrue statement in a prospectus and civil liability for misstatements in a prospectus.

(vi) Exchange Control

Although incorporated in Bermuda, the Company has been classified as non-resident in Bermuda for exchange control purposes by the Bermuda Monetary Authority (“BMA”). Accordingly, the Company may convert currency (other than Bermudian currency) held for its account to any other currency without restriction. Persons, firms or companies regarded as residents of Bermuda for exchange control purposes require specific consent under the Exchange Control Act 1972 of Bermuda, and regulations thereunder, to purchase or sell shares or warrants of the Company which are regarded as foreign currency securities by the BMA. Pursuant to Part I paragraph 1 of the public notice issued by the Bermuda Monetary Authority on 1 June 2005 (the “BMA Notice”), where any equity securities of a Bermuda company are listed on an Appointed Stock Exchange (as defined in the BMA Notice which includes The Stock Exchange of Hong Kong Limited), general permission is given for the issue and subsequent transfer of any securities of the company from and/or to a non-resident of Bermuda, for as long as any equity securities of the company remain so listed.

In granting such permission, the BMA accepts no responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed in this document with regard to them.

(vii) Share Capital

The Companies Act provides that where a company issues shares at a premium whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on those shares shall be transferred to an account, to be called “the share premium account” and the provisions of the Companies Act relating to a reduction of share capital of a company shall, except as provided in Section 40 of the Companies Act, apply as if the share premium account were paid up share capital of the company. An exception is made to this rule in the case of an exchange of shares where the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company. Contributed surplus is a North American concept recognised under the generally accepted accounting principles of the Canadian Institute of Chartered Accountants which accounting principles are applied in Bermuda.

The Companies Act permits a company to issue preference shares and under certain circumstances to convert those preference shares into redeemable preference shares.

(viii) Alteration of Share Capital

A company may if authorised by a general meeting of the members of the company and by its bye-laws, alter the conditions of its memorandum of association to increase its share capital, divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions, consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares, subdivide its shares or any of them into shares of a smaller amount than is fixed by the memorandum of association, make provision for the issue and allotment of shares which do not carry any voting rights, cancel shares which have not been taken or agreed to be taken by any person, diminish the amount of its share capital by the amount of the shares so cancelled and change the currency denomination of its share capital. With the exception of an increase of capital, cancellation of shares and redenomination of currency of capital, there are no filing requirements for any of the above-mentioned alterations.

Furthermore a company may, if authorised by a general meeting of the members, reduce its share capital. There are certain requirements, including a requirement prior to the reduction to publish a notice in an appointed newspaper stating the amount of the share capital as last determined by the company, the amount to which the share capital is to be reduced and the date on which the reduction is to have effect. The Companies Act provides that the Company shall not reduce the amount of its share capital if on the date the reduction is to be effected there are reasonable grounds for believing that the Company is, and after the reduction would be, unable to pay its liabilities as they become due.

The Companies Act includes certain protections for holders of special classes of shares requiring their consent to be obtained before their rights may be varied.

The Companies Act requires that as soon as practicable after the allotment of any of its shares a company must complete and have ready for delivery share certificates in relation to those shares allotted unless the conditions of issue of the shares otherwise provide. A certificate under the common seal of the company shall be prima facie evidence of the title of the member to the shares. The Companies Act prohibits bearer shares.

(ix) Purchase by the Company of its own shares

The Companies Act permits the Company, if authorised to do so by its Memorandum of Association or by its Bye-laws, to purchase its own shares. It should be noted that the Company is authorised by its Bye-laws, subject to certain approvals, to purchase its own shares. Such purchases may only be effected out of the capital paid up on the purchased shares, profits otherwise available for dividend (see “Dividends” below) or out of the proceeds of a new issue of shares made for the purpose. Any premium payable on a repurchase over the par value of the shares to be repurchased must be provided for out of the profits otherwise available for dividends, out of the Company’s share premium account, or out of contributed surplus. A purchase by the Company of its own shares may be authorised by its Board of Directors or otherwise by or in accordance with the provisions of its Bye-laws. Further, the consideration payable to a member whose shares are repurchased may be satisfied by cash and/or the transfer of any part of the undertaking or property of the Company or a combination of the foregoing.

The Companies Act provides that no purchase by the Company of its own shares may be effected if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the Company is, or after the purchase would be, unable to pay its liabilities as they become due.

The shares purchased pursuant to the Companies Act shall be treated as cancelled and the amount of the Company’s issued capital shall be diminished by the nominal amount of those shares accordingly. It shall not be taken as reducing the amount of the Company’s authorised share capital.

The Company is not prevented from purchasing and may purchase its own warrants. There is no requirement of Bermuda law that the Memorandum of Association or the Bye-laws contain a specific enabling provision authorising any such purchase and the Directors may rely upon the general power to buy and sell and deal in personal property of all kinds.

A company has power to hold and purchase shares of its holding company. A distinction must be drawn between the purchase of shares in the holding company by the holding company itself and the purchase by a subsidiary. A holding company can only purchase its own shares in accordance with the provisions referred to above. When a subsidiary acquires shares in its holding company, the shares, once purchased, may be voted by the subsidiary for its own benefit.

(x) Transfer of Securities

Title to securities of companies whose securities are traded or listed on an appointed stock exchange may, only with effect from the coming into operation of regulations made by the Minister, be evidenced and transferred without a written instrument either in accordance with regulations made by the Minister or by a person appointed by the Minister i.e. through the mechanism required or permitted by an appointed stock exchange.

(xi) Dividends and Distributions

The Companies Act provides that a company shall not declare or pay a dividend or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (a) the company is, or would after the payment be, unable to pay its liabilities as they became due; or (b) the realisable value of the company's assets would thereby be less than its liabilities.

Contributed surplus for these purposes is defined as including proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital, and donations of cash and other assets to the company.

(xii) Charges on the Assets of the Company

The Companies Act established a register of charges at the office of the Registrar permitting any charges on the assets of a company to be registered. Registration is not mandatory but does govern priority in Bermuda, giving a registered charge priority over any subsequently registered charge and over all unregistered charges save those in effect prior to the coming into effect of the Companies Act in July of 1983. The register of charges is available for inspection by members of the public. The Companies Act also makes provision for the registration of a series of debentures.

(xiii) Management and Administration

The management and administration of a Bermuda company is essentially governed by Part VI of the Companies Act and provides that the management and administration of a Bermuda company shall be vested in the hands of not less than one director duly elected by the members.

The Companies Act requires that a Bermuda company maintains either:

- (a) a minimum of one director, other than an alternate director, who is ordinarily resident in Bermuda; or
- (b) a secretary that is (i) an individual who is ordinarily resident in Bermuda; or (ii) a company which is ordinarily resident in Bermuda; or

- (c) a resident representative that is (i) an individual who is ordinarily resident in Bermuda; or (ii) a company which is ordinarily resident in Bermuda.

The Companies Act contains no specific restrictions on the power of the Directors to resolve to dispose of assets of a company although it specifically requires that every officer (which includes a director and managing director and secretary) of a company, in exercising his powers and discharging his duties, shall act honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore it requires that every officer should comply with the Companies Act, regulations passed pursuant to the Companies Act and the Bye-laws.

(xiv) Loans to Directors

The Companies Act prohibits the making of loans by the Company to any of its Directors or to their families or companies in which they hold a 20 per cent interest, without the consent of members of the Company holding in the aggregate not less than nine-tenths of the total voting rights of all members having the right to vote at any meeting of the members of the Company. These prohibitions do not apply to anything done to provide a Director with funds to meet expenditure incurred or to be incurred by him for the purposes of the Company, provided that the Company gives its prior approval at a general meeting or, if not, the loan is made on condition that it shall be repaid within six months of the next annual general meeting if the loan is not approved at such meeting. If the approval of the Company is not given for a loan, the Directors who authorised it will be jointly and severally liable for any loss arising.

(xv) The Investigation of the Affairs of a Company and the Protection of Minorities

The Companies Act makes specific provision with regard to the foregoing and provides that the Minister may, at any time of his own volition, appoint one or more inspectors to investigate the affairs of an exempted company and to report thereon in such manner as he may direct. The Companies Act requires that such an investigation be made in private unless the company requests that it be held in public. Furthermore any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, or where a report has been made to the Minister under the foregoing, the Registrar on behalf of the Minister, may make an application to the court by petition for an order that the company's affairs are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members and that to wind up the company would unfairly prejudice that part of the members but otherwise the facts would justify the making of a winding up order on the ground that it would be just and equitable that the company should be wound up. If the court is of this opinion, then it may, with a view to bringing to an end the matters complained of, make such order as it thinks fit whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any members of the company by other members of the company or by the company and in the case of a purchase by the company, for the reduction accordingly of the company's capital, or otherwise.

Class actions and derivative actions are generally not available to members under the laws of Bermuda; however, the Bermuda courts ordinarily would expect to follow English case law precedent which would permit a member to commence an action in the name of the company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of a company's memorandum of association and bye-laws. Furthermore consideration would be given by the court to acts that are alleged to constitute a fraud against the minority members or, for instance, where an act requires the approval of a greater percentage of the company's members than that which actually approved it.

In addition to the above, members may be able to bring claims against a company; such claims must, however, be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers to shares of a company against persons (including directors and officers) responsible for the issue of a prospectus in respect of damage suffered by reason of an untrue statement therein (see above) but this confers no right of action against the company itself. In addition, the company itself (as opposed to its members) may take action against the officers (including directors) for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company (as mentioned above). Furthermore, a subscriber is not debarred from obtaining damages or other compensation from the Company by reason only of his holding or having held shares in the Company or any right to apply or subscribe for shares or to be included in the Company's register of members in respect of shares.

(xvi) Inspection of Corporate Records

Members of the general public have the right to inspect the public documents of the Company available at the office of the Registrar which will include the Company's Certificate of Incorporation, its Memorandum of Association (including its objects and powers) and any alteration to the Memorandum of Association and documents relating to an increase or reduction of authorised capital. The members have the additional right to inspect the Bye-laws, minutes of general (i.e. members') meetings and combined financial information of the Company, which must be presented to the Annual General Meeting of members. The Company is required to maintain its share register in Bermuda but may establish a branch register outside Bermuda. The register of members of the Company and any branch register are also open to inspection by members without charge, and to general members of the public for a fee. The Companies Act stipulates that where a member of the Company or other person requests a copy of the register of members or branch register of members, this must be provided within 14 days of the request. The Company is required to keep at its registered office a register of its Directors and Officers which is open for inspection by members of the public without charge. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.

(xvii) Restrictions on the Activities of Exempted Companies

Unless specifically authorised by its memorandum of association, an exempted company shall not be permitted to:–

- (a) acquire or hold land in Bermuda except land required for its business held by way of a lease or tenancy agreement for a term not exceeding fifty years;
- (b) acquire or hold land that is designated as tourist accommodation or a hotel residence by regulations made under section 102D(1)(ba) of the Bermuda Immigration and Protection Act 1956 subject to certain exceptions;
- (c) take any mortgage of land in Bermuda (subject to certain exceptions); and
- (d) acquire any bonds or debentures secured on any land in Bermuda except bonds or debentures issued by the Government or a public authority in Bermuda.

Exempted companies are specifically permitted to carry on business with persons outside Bermuda or to do business in Bermuda with an exempted company in furtherance only of the business of the exempted company carried on exterior to Bermuda. It may buy, sell or otherwise deal in shares, bonds, debenture stock obligations, mortgages or other securities issued or created by an exempted undertaking or a local company or any partnership which is not an exempted undertaking. It may transact banking business with a bank licensed in Bermuda. It may effect or conclude contracts in Bermuda and exercise in Bermuda all other powers so far as may be necessary for carrying on its business with persons outside Bermuda. It may act as manager or agent for or consultant or advisor to the business of another exempted company, provided that the company has an object in its memorandum of association to enable it to carry on such type of business.

The Company has been incorporated as an “exempted company”. Accordingly the Company is authorised to carry on business outside Bermuda from a place of business in Bermuda but may not, without a specific licence granted by the Minister, conduct business within Bermuda. The Company is, therefore, permitted to establish a place of business in Bermuda in order to conduct business outside Bermuda or with other exempted companies in Bermuda. However, it may not engage in trading or other business activities (e.g. the provision of services) in Bermuda. Furthermore, as an exempted company, the Company has been designated as “non resident” for exchange control purposes and is authorised to deal in any currency of its choosing, other than Bermuda dollars.

The Company will, under the provisions of the Companies Act, be required to file in January of every year a declaration in writing stating what is the principal business of the Company and to pay the Government Fee.

(xviii) Accounting and Auditing Requirements under the Companies Act

The Companies Act requires that a company shall cause to be kept proper records of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure take place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

It furthermore requires that the records of account shall be kept at the registered office of the Company or at such other place as the Directors think fit and shall at all times be open to inspection by the Directors or by a resident representative. The Companies Act also requires that, these records of account also be maintained at the office of the resident representative where the Company is listed on an appointed stock exchange and the Company has appointed a resident representative. There is a proviso in the Companies Act to the effect that if the records of account are kept at some place outside Bermuda, there shall be kept at an office of the Company in Bermuda such records as will enable the Directors or the resident representative to ascertain with reasonable accuracy the financial position of the Company at the end of each three month period (or each six month period, where the Company is listed on an appointed stock exchange). Power is vested in the courts of Bermuda to order the Company to make available the records of account to any of the Directors of the Company should the Company for some reason refuse to do so. Furthermore, the Companies Act imposes a fine in the event of failure to comply with the aforementioned requirements which fine is limited to the sum of BD\$500.00 (approximately equivalent in value to US\$500.00), for the time being.

(xix) Auditing Requirements

The Companies Act requires that the board of every company shall, at least once in every year, lay before the company in general meeting:

- (a) financial statements for the period, which shall include:
 - (I) a statement of the results of operations for such period;
 - (II) a statement of retained earnings or deficits;
 - (III) a balance sheet at the end of such period;
 - (IV) a statement of changes in the financial position for the period;

(V) notes to the financial statements;

(VI) such further information as required by the Companies Act and the company's memorandum of association and its bye-laws;

(b) the report of the auditor in respect of the financial statements described above based upon the results of the audit made in accordance with generally accepted accounting principles; and

(c) the notes referred to in paragraph (v) above shall include a description of the generally accepted accounting principles used in the preparation of the financial statements and where the accounting principles used are those of a country or jurisdiction other than Bermuda the notes shall disclose this fact and shall name the country or jurisdiction.

Financial Statements to be laid before the members in general meeting shall be signed on the balance sheet by a director of the company.

If for some reason it becomes impossible, for reasons beyond the reasonable control of the directors, to lay the financial statements before the members, it shall be lawful for the Chairman to adjourn the meeting for a period of up to ninety days or such longer period as the members may agree.

All members of a company are entitled to receive a copy of the financial statements prepared in accordance with the aforementioned requirements, at least seven days before the general meeting of the company at which the financial statements would be tabled.

The Bermuda Act also provides that companies listed on an appointed stock exchange may send summarised financial statements instead of the unabridged financial statements mentioned above. Each member can elect to receive unabridged financial statements for that period and/or any subsequent period. The summarised financial statements together with auditors report and notice to elect to receive the unabridged financial statements must be sent to members twenty-one days before the general meeting. A company shall send the full financial statements to a member within seven days of receipt of the member's election to receive the full financial statements.

The summarised financial statements must be derived from the company's financial statements and shall include:

(a) a summarised report of the unabridged financial statements;

(b) such further information extracted from the financial statements as the board of directors considers appropriate; and

- (c) a statement that it is only a summarised version of the company's financial statements and does not contain sufficient information to allow as full an understanding of the financial position, results of operations or changes in financial position or cash flows of the company as would be provided by unabridged financial statements.

There are certain exceptions in the case of members not entitled to receive notices of general meetings, joint holders of shares or where the address for a person is not known to the company.

The Companies Act also makes provision vesting power in the members in general meeting to waive the laying of the financial statements and auditors' report and to waive the appointment of an auditor. In order to do so it is required that all members and directors of the company agree either in writing or at a general meeting, that in respect of a particular interval no financial statement or auditors' report thereon need be laid before a general meeting.

The Companies Act contains specific requirements in Section 89 in relation to the appointment and disqualification of an auditor.

By way of general reference, the provisions of Sections 83, 84, 87, 87A, 87C, 88, 89 and 90 govern the preparation and maintenance of accounting records and audited financial statements.

(xx) Continuation and Discontinuation of Companies

- (a) A company incorporated outside Bermuda may be continued in Bermuda as an exempted company to which the provisions of the Companies Act and any other relevant laws of Bermuda may apply. The consent of the Minister will be required if the Company's Memorandum of Continuance includes special objects enabling it to carry on any "restricted business activity" within the definition of section 4A of the Companies Act; and
- (b) An exempted company may be continued in a country or jurisdiction outside Bermuda as if it had been incorporated under the laws of that other jurisdiction and be discontinued under the Companies Act, provided that, inter alia, it is an appointed jurisdiction pursuant to the Companies Act, or has been approved by the Minister, upon application by the Company for the purpose of the discontinuance of the Company out of Bermuda.

(xxi) Winding-Up and Liquidation Provisions of Bermuda Legislation**(a) Introduction:**

The winding-up of Bermuda companies is governed by the provisions of the Companies Act and by the Companies (Winding-Up) Rules 1982 (the “**Rules**”) and may be divided into the following two types:

- (I) Voluntary winding-up which commences with the members’ resolution or upon the happening of a specified event (fixed or limited life company) and which itself can be sub-divided into a members’ voluntary winding-up and a creditors’ voluntary winding-up; and
- (II) Compulsory winding-up, by petition presented to the courts of Bermuda followed by winding-up order.

(b) Voluntary Winding-Up:

- (I) **Members’ Voluntary Winding-up** – A members’ voluntary winding-up is only possible if a company is solvent. A Statutory Declaration of Solvency to the effect that a company is able to meet its debts within 12 months from the date of the commencement of its winding-up is sworn by a majority of the company’s directors and filed with the Registrar.

A general meeting of members is then convened which resolves that the company be wound-up voluntarily and that a liquidator (responsible for collecting in the assets of the company, determining its liabilities and distributing its assets amongst its creditors and the surplus to the members) be appointed.

Once the affairs of the company are fully wound-up the liquidator prepares a full account of the liquidation which he then presents to the company’s members at a special general meeting called for that purpose. This special general meeting must be advertised in an appointed newspaper in Bermuda at least one month before it is held. Within one week after this special general meeting is held, the liquidator shall notify the Registrar that the company has been dissolved.

- (II) **Creditors’ Voluntary Winding-up** – A creditors’ voluntary winding-up may occur where a company is insolvent and a Declaration of Solvency cannot be sworn.

A board meeting is convened which resolves to recommend to the members of the company that the company be placed into a creditors’ voluntary winding-up. This recommendation is then considered and, if thought fit, approved at a special general meeting of the company’s members and, subsequently, at a meeting of the company’s creditors.

Notice of the creditors' meeting must appear in an appointed newspaper on at least two occasions and the Directors must provide this meeting with a list of the company's creditors and a full report of the position of the company's affairs.

At their respective meetings, the creditors and members are entitled to nominate a person or persons to serve as liquidator(s) and whose responsibilities include collecting in the assets of the company, ascertaining its liabilities and distributing its assets ratably amongst its creditors in accordance with their proofs of debt. In addition to the liquidator, the creditors are entitled to appoint a Committee of Inspection which, under Bermuda law, is a representative body of creditors who assist the liquidator during the liquidation.

As soon as the affairs of the company are fully wound-up, the liquidator prepares his final account explaining the liquidation of the company and the distribution of its assets which he then presents to the company's members in a special general meeting and to the company's creditors in a meeting. Within one week after the last of these meetings, the liquidator sends a copy of the account to the Registrar who proceeds to register it in the appropriate public records and the company is deemed dissolved three months after the registration of this account.

(c) *Compulsory Winding-Up:*

The courts of Bermuda may wind-up a Bermuda company on a petition presented by persons specified in the Companies Act and which include the company itself and any creditor or creditors of the company (including contingent or prospective creditors) and any member or members of the company.

Any such petition must state the grounds upon which the Bermuda court has been asked to wind-up the company and may include either one of the following:

- (I) that the company has by resolution resolved that it be wound-up by the Bermuda court;
- (II) that the company is unable to pay its debts;
- (III) that the Bermuda court is of the opinion that it is just and equitable that the company be wound-up.

The winding-up petition seeks a winding-up order and may include a request for the appointment of a provisional liquidator.

Prior to the Winding-up Order being granted and the appointment of the provisional liquidator, (who under Bermuda law, may or may not be the Official Receiver – a government appointed officer) an interim provisional liquidator may be appointed to administer the affairs of the company with a view to its winding-up until he is relieved of these duties by the appointment of the provisional liquidator. (Often, the interim provisional liquidator is appointed the provisional liquidator).

As soon as the Winding-up Order has been made, the provisional liquidator summons separate meetings of the company's creditors and members in order to determine whether or not he should serve as the permanent liquidator or be replaced by some other person who will serve as the permanent liquidator and also to determine whether or not a Committee of Inspection should be appointed and, if appointed, the members of that Committee. The provisional liquidator notifies the Court of the decisions made at these meetings and the Court makes the appropriate orders.

A permanent liquidator's powers are prescribed by the Companies Act and include the power to bring or defend actions or other legal proceedings in the name and on behalf of the company and the power to carry on the business so far as may be necessary for the beneficial winding-up of the company. His primary role and duties are the same as a liquidator in a creditors' voluntary winding-up i.e. to distribute the company's assets ratably amongst its creditors whose debts have been admitted.

As soon as the affairs have been completely wound-up, the liquidator applies to the courts of Bermuda for an order that the company be dissolved and the company is deemed dissolved from the date of this order being made.

(xxii) General

Appleby, the Company's legal adviser on Bermuda law, have sent to the Company a letter of advice summarising aspects of Bermuda company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the section headed "Documents Available for Inspection" in Appendix IV to this listing document. Any person wishing to have a detailed summary of Bermuda company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1 Incorporation**

Our Company was incorporated in Bermuda on 16 October 1987 as an exempted company with limited liability. Our Company has established a principal place of business in Hong Kong at 21/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part XI of the Predecessor Companies Ordinance on 12 April 1988. Ms. Man Sau Ying was appointed as the Hong Kong authorised representative of our Company on 5 June 2015 for acceptance of the service of process and any notices required to be served on our Company in Hong Kong.

As our Company is incorporated in Bermuda, its operations are subject to the laws of Bermuda and to its constitution which comprises the Memorandum of Association and the Bye-laws. A summary of the relevant provisions of the constitution of our Company and the relevant aspects of Bermuda company law is set out in the section headed “Summary of the Constitution of the Company and Bermuda Company Law” in Appendix II to this listing document.

2 Changes in the share capital of our Company

As at the date of incorporation of our Company, the authorised share capital of our Company was US\$12,000 divided into 12,000 shares of US\$1.00 each, of which 11,997 shares were allotted and issued nil-paid to CPP on 29 October 1987.

The following alteration in the share capital of our Company has taken place within the two years immediately preceding the date of this listing document: On 5 June 2015, written resolutions of the sole shareholder of our Company were passed pursuant to which, subject to and conditional on the Stock Exchange granting approval of the Listing, (i) all of the then existing issued and unissued shares of our Company were designated as Ordinary Shares, and (ii) the authorised share capital of our Company was increased from US\$1,942,600 divided into 19,426,000 Ordinary Shares to US\$80,000,000 divided into 787,389,223 Ordinary Shares and 12,610,777 Preference Shares by the creation of 767,963,223 Ordinary Shares and 12,610,777 Preference Shares.

As at the Latest Practicable Date, our issued share capital was US\$1,195,200 divided into 11,952,000 Ordinary Shares of US\$0.10 each. Immediately prior to the Distribution, and assuming the number of CPP Shares in issue as at the Distribution Record Date is the same as at the Latest Practicable Date, our Company will issue up to 228,766,372 Ordinary Shares and 12,610,777 Preference Shares pursuant to the Capitalisation Issue, following which the number of issued Ordinary Shares and issued Preference Shares of our Company will be increased to up to 240,718,372 and 12,610,777 respectively.

Immediately following completion of the Spin-off, the authorised share capital of our Company will be US\$80,000,000 divided into 787,389,223 Ordinary Shares and 12,610,777 Preference Shares, of which up to 240,718,372 Ordinary Shares and 12,610,777 Preference Shares will be issued fully paid or credited as fully paid, and at least 546,670,851 Ordinary Shares and no Preference Shares will remain unissued. Other than pursuant to the exercise of any options which may be granted under the Share Option Scheme, our Directors do not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Ordinary Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed above, there has been no alteration in the share capital of our Company within the two years immediately preceding the date of this listing document.

3 Changes in share capital or registered capital of our Subsidiaries

Further information on our subsidiaries is set forth in the Accountants' Report, the text of which is set forth in Appendix I to this listing document.

The following alterations in the share capital or registered capital of our subsidiaries took place within the two years immediately preceding the date of this listing document:

(a) Pucheng Chia Tai

Pursuant to an agreement dated 10 February 2014, Chia Tai Pucheng and Chia Tai Huazhong underwent an internal restructuring whereby the entire 100% equity interest in Zhumadian Huazhong, comprising Chia Tai Huazhong's 70% equity interest and Zhengzhou Jinyuweiye's 30% equity interest, was transferred to Pucheng Chia Tai. On 15 May 2014, the registered capital of Pucheng Chia Tai was increased from RMB100 million to RMB189.9 million. Following completion of the restructuring, Chia Tai Pucheng and Chia Tai Huazhong respectively hold 36.6% and 33.1% equity interest in Pucheng Chia Tai, which in turn holds 100% equity interest in Zhumadian Huazhong, and Zhumadian Huazhong has become a wholly-owned subsidiary of Pucheng Chia Tai.

(b) Zhumadian Huazheng Property Co. Ltd.*

駐馬店市華正置業有限公司 (Zhumadian Huazheng Property Co. Ltd.*) was established on 17 December 2013 with registered and paid-in capital of RMB10 million.

(c) Guangdong Thai Thong Investment Co. Ltd.*

A former subsidiary 廣東泰通投資有限公司 (Guangdong Thai Thong Investment Co. Ltd.*) was established on 16 December 2010 but was de-registered on 4 September 2014.

4 Written resolutions of our sole shareholder passed on 5 June 2015

On 5 June 2015, written resolutions were passed by our existing sole shareholder pursuant to which, among others, subject to and conditional on the Stock Exchange granting approval for the Listing:

- (i) all existing issued and unissued shares of our Company of par value US\$0.10 each would be designated as Ordinary Shares;
- (ii) the authorised share capital of our Company was increased from US\$1,942,600 divided into 19,426,000 Ordinary Shares to US\$80,000,000 divided into 787,389,223 Ordinary Shares and 12,610,777 Preference Shares by the creation of 767,963,223 Ordinary Shares and 12,610,777 Preference Shares, and each of such Ordinary Shares and Preference Shares shall have the rights set out in the new Bye-laws;
- (iii) up to an aggregate of 228,766,372 Ordinary Shares and 12,610,777 Preference Shares would be allotted and issued as follows: (a) 153,169,499 Ordinary Shares be allotted and issued at US\$0.10 per Ordinary Share to CPP in capitalisation of the consideration payable by our Company to CPP pursuant to the Reorganisation, (b) 34,924,313 Ordinary Shares be allotted and issued at US\$0.10 per Ordinary Share to CPP as the sole shareholder of our Company in capitalisation of the amount of US\$3,492,431.3 which would be due from our Company to CPP as at the date on which the Listing Committee grants the approval for the Listing and (c) up to 40,672,560 Ordinary Shares be allotted and issued at US\$0.10 per Ordinary Share and 12,610,777 Preference Shares be allotted and issued at US\$0.10 per Preference Share to CPP as the sole shareholder of our Company in capitalisation of the amount of up to US\$5,328,333.7 out of the profit available for distribution;
- (iv) new Bye-laws were adopted as the Bye-laws of our Company in substitution for and to the exclusion of all the existing Bye-laws of our Company;
- (v) the Spin-off and the Listing were approved and any Director was authorised to implement the Spin-off and the Listing and to sign and execute such documents and do all such acts and things incidental to the Spin-off and the Listing or as he considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Spin-off and the Listing;
- (vi) a general unconditional mandate was given to our Directors to allot, issue and deal with Ordinary Shares in the share capital of our Company not exceeding 20% of the number of Ordinary Shares in issue immediately following the completion of the Spin-off and the Listing, such mandate to expire at the conclusion of our Company's next annual general meeting, or at the expiry of the period within which our Company is required by any applicable laws or the Bye-laws to hold its next annual general meeting, or when varied or revoked by an ordinary resolution of our Ordinary Shareholders in general meeting, whichever is the earliest;

- (vii) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to purchase on the Stock Exchange or on any other stock exchange on which our Ordinary Shares may be listed and which is recognised by the SFC and the Stock Exchange for this purpose in accordance with the Listing Rules, Ordinary Shares not exceeding 10% of the number of Ordinary Shares in issue immediately following the completion of the Spin-off and the Listing, such mandate to expire at the conclusion of our Company's next annual general meeting, or at the expiry of the period within which our Company is required by any applicable laws or the Bye-laws to hold its next annual general meeting, or when varied or revoked by an ordinary resolution of our Ordinary Shareholders in general meeting, whichever is earliest; and
- (viii) the general unconditional mandate as mentioned in sub-paragraph (vi) above was extended by the addition to the aggregate number of our Ordinary Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of the number representing the number of Ordinary Shares purchased by our Company pursuant to the mandate to purchase Ordinary Shares referred to in sub-paragraph (vii) above up to 10% of the number of Ordinary Shares in issue immediately following completion of the Spin-off and the Listing.

5 Purchase by our Company of our own Ordinary Shares

This section includes information relating to the purchase by us of our own Ordinary Shares, including information required by the Stock Exchange to be included in this listing document concerning such purchase.

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to purchase their securities on the Stock Exchange subject to certain restrictions, the most important restrictions are summarised below:

(i) Shareholders' approval

All proposed purchases of our Ordinary Shares must be approved in advance by an ordinary resolution of our Ordinary Shareholders in a general meeting, either by way of general mandate or by specific approval in relation to a particular transaction. Pursuant to the written resolutions passed on 5 June 2015 by our sole shareholder, our Directors were given a general unconditional mandate to purchase our Ordinary Shares.

(ii) Source of funds

Any purchase of our Ordinary Shares by us must be paid out of funds legally available for the purpose in accordance with the Bye-laws, the Listing Rules and the Bermuda Companies Act. We are not permitted to purchase our Ordinary Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) Shares to be purchased

The Listing Rules provide that our Ordinary Shares which are proposed to be purchased by us must be fully-paid up.

(b) Reasons for purchase

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from our Ordinary Shareholders to enable our Company to purchase our Ordinary Shares in the market. Such purchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such purchases will benefit our Company and our Shareholders.

(c) Funding of purchase

In purchasing our Ordinary Shares, we may only apply funds legally available for such purpose in accordance with the Bye-laws, the Listing Rules and the applicable laws and regulations of Bermuda.

On the basis of our Company's current financial position as disclosed in this listing document and taking into account our current working capital position, our Directors consider that, if the repurchase mandate is exercised in full, it might have a material adverse effect on our working capital and/or gearing position as compared with the position disclosed in this listing document. However, our Directors do not propose to exercise the mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

(d) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Ordinary Shares to us.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the mandate to purchase our Ordinary Shares in accordance with the Listing Rules and the applicable laws and regulations of Bermuda. If, as a result of any purchase of our Ordinary Shares, an Ordinary Shareholder's proportionate interest in the voting rights is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, an Ordinary Shareholder or a group of Ordinary Shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any purchase pursuant to the mandate.

We have not made any purchase of our own securities in the past six months.

No connected person has notified us that he/she has a present intention to sell Ordinary Shares to us, or has undertaken not to do so, if the mandate is exercised.

B. REORGANISATION

Pursuant to the Reorganisation, which was effected in preparation for the Listing, our Company has become the holding company of our Group. Further information on the Reorganisation is set forth in the section headed “History and Corporate Structure” of this listing document.

C. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

1 Summary of material contracts








Our Group has entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this listing document that are or may be material:



- (i) an equity contribution agreement dated 10 February 2014 made between Chia Tai Huazhong, Zhengzhou Jinyuweiye, Chia Tai Pucheng, Pucheng County Biochemical Factory, Xinglv Gongyipin and Shanghai Zhengcheng in relation to the internal restructuring pursuant to which Chia Tai Huazhong and Zhengzhou Jinyuweiye transferred their respective 70% and 30% equity interest in Zhumadian Huazhong to Pucheng Chia Tai as their contribution to the capital of Pucheng Chia Tai;
- (ii) a share purchase agreement dated 12 May 2014 made between CP Enterprises as vendor and Rapid Thrive Limited (“**RTL**”), a wholly-owned subsidiary of CPP, as purchaser in relation to the sale and purchase of the entire issued share capital of Ek Chor Investment Company Limited (“**Ek Chor Investment**”) and the assignment of an interest-free shareholder loan of US\$11,407,000 advanced by CP Enterprises to Ek Chor Investment at the aggregate consideration of US\$41.5 million;
- (iii) a sale and purchase agreement dated 25 September 2014 and a supplemental addendum thereto dated 16 April 2015 made between CPP as vendor and our Company as purchaser in relation to the acquisition by our Company of the entire issued share capital in each of Chia Tai Pucheng and Chia Tai Huazhong in consideration of HK\$118,715,551.85; and
- (iv) a sponsor’s agreement dated 17 June 2015 made among UBS Securities Hong Kong Limited, CPP and our Company in connection with UBS Securities Hong Kong Limited acting as Sole Sponsor in relation to the Listing.

2 Intellectual property

(i) Owned trademarks



As at the Latest Practicable Date, our Group and/or our associated companies had registered the following trademarks which are or may be material to their businesses:

Trademark	Ownership	Place of registration	Registration number	Class	Term
 CITIFAC 喜特肥	Zhumadian Huazhong	PRC	1174296	5	14 May 2008 to 13 May 2018
 PIGTIFAC 助特菲	Zhumadian Huazhong	PRC	6706433	5	14 May 2010 to 13 May 2020
	Zhumadian Huazhong	PRC	7573382	5	7 November 2010 to 6 November 2020
 SHIHAO 施豪	Pucheng Chia Tai	PRC	608101	5	30 August 2012 to 29 August 2022
 SHIHAO 施豪	Pucheng Chia Tai	International Bureau of World Intellectual Property Organisation	1113486	5	13 March 2012 to 13 March 2022
 SHIHAO 施豪	Pucheng Chia Tai	PRC	11764627	5	28 April 2014 to 27 April 2024
 DENI	Zhanjiang Deni	PRC	4159792	7	7 November 2006 to 6 November 2016

Trademark	Ownership	Place of registration	Registration number	Class	Term
	Zhanjiang Deni	PRC	4159791	12	7 November 2006 to 6 November 2016
	Zhanjiang Deni	PRC	1066501	12	28 July 2007 to 27 July 2017

(ii) Trademarks under the Trademark Licence Agreement

As at the Latest Practicable Date, we held a non-exclusive licence, which had been granted to us by CTII and was registered on 27 March 2015, for the use of the following trademarks which were registered in Hong Kong in the name of CTII:

Trademark	Ownership	Place of registration	Registration number	Class	Term
	CTII	Hong Kong	19872183	5	21 September 1987 to 14 October 2016
	CTII	Hong Kong	19872185	31	21 September 1987 to 14 October 2016

(iii) Domain names

As at the Latest Practicable Date, our Group and/or our joint venture and/or our associated companies had registered the following domain names which are or may be material to their businesses:

Domain name	Registrant	Registration date	Expiry date
ctei.com.hk	Our Company	17 June 2014	17 June 2017
bestfeedadditive.com	Zhumadian Huazhong	15 April 2005	15 April 2024
ct-bio.cn	Pucheng Chia Tai	28 May 2013	28 May 2025
dekni.com	Zhanjiang Deni	13 December 2002	13 December 2018
eci-metro.cn	Sichuan ECI Metro	23 October 2003	23 October 2019

(iv) Owned and licensed patents

As at the Latest Practicable Date, our Group and/or our associated companies had registered the following patents which are or may be material to their businesses:

Name of Invention Patents	Ownership	Patent No.	Term
Submerged culture method of inonotus obliquus (樺褐孔菌深層培養方法)	Owned by Tianjin University of Science & Technology and licensed to Zhumadian Huazhong	ZL200910070026.2	15 November 2011 to 15 December 2016
A preservation method of bacteria applied to mass production through fermentation (一種應用於發酵大生產的菌種保存方法)	Pucheng Chia Tai	ZL201210456959.7	15 November 2012 to 14 November 2032
A formula and granulation process of HCL CTC granular premix (一種鹽酸金霉素預混劑顆粒的配方和製粒工藝)	Pucheng Chia Tai	ZL201210235342.2	6 July 2012 to 5 July 2032
Name of Utility Patents or Design Patents	Ownership	Patent No.	Term
A new type of electronic carburetor (新型電控化油器)	Zhanjiang Deni	ZL200720051560.5	17 May 2007 to 16 May 2017
Small engine electronic control system (小型發動機電控系統)	Zhanjiang Deni	ZL200820202809.2	3 November 2008 to 2 November 2018
Electronic injection control unit (DFI) (電噴控制單元 (DFI))	Zhanjiang Deni	ZL201330445285.6	17 September 2013 to 16 September 2023

Save as disclosed above, there are no other trademarks, patents, domain names or other intellectual property rights which are material in relation to our Group's business.

3 Further information about the subsidiaries of our Company

(a) PRC

Zhumadian Huazhong

Name of the enterprise	駐馬店華中正大有限公司 (Zhumadian Huazhong Chia Tai Co., Ltd.)
Type of the enterprise	Limited liability company (wholly-owned by a Taiwan, Hong Kong or Macau investor)
Business license number of the enterprise	411700400000410
Legal representative	YAO Minpu (姚民仆)
Address of registered office	High-tech Industry Development District, Zhumadian, Henan, China
Date and place of incorporation	13 December 1995, China
Term of operation	13 December 1995 to 12 December 2045
Registered capital	RMB72 million
Paid-in capital	RMB72 million
Total investment capital	RMB130 million
Business scope	production and sale of powder/premix, non-aseptic API (neomycin sulphate), premix (CTC, oxytetracycline calcium), and import and export business
Shareholder	Pucheng Chia Tai (100%)

Pucheng Chia Tai

Name of the enterprise	浦城正大生化有限公司 (Pucheng Chia Tai Biochemistry Co., Ltd.)
Type of the enterprise	Limited liability company (Sino-foreign joint venture)
Business license number of the enterprise	350700400001258
Legal representative	PAN Changqing (潘長青)
Address of registered office	305 Chengguan Chia Tai Road, Pucheng, Nanping, Fujian, China (production site: 56 Dashixi, Putan Village, China)
Date and place of incorporation	24 August 1995, China
Term of operation	24 August 1995 to 23 August 2045
Registered capital	RMB189.89 million
Paid-in capital	RMB189.89 million
Total investment capital	RMB569.6 million
Business scope	production and sale of powder (HCL CTC soluble powder), premix (CTC feed grade), non-aseptic API (HCL CTC, Tylosin Tartrate, tylosin phosphate) and the relevant products thereof (projects which are by law required to be approved may only commence upon approvals being granted by the relevant authorities)
Shareholder(s)	(i) Chia Tai Pucheng (36.6%) (ii) Chia Tai Huazhong (33.1%) (iii) Pucheng County Biochemical Factory (15.3%) (iv) Zhengzhou Jinyuweiye (14.2%) (v) Xinglv Gongyipin (0.5%) (vi) Shanghai Zhengcheng (0.3%)

Shanghai C. P.

Name of the enterprise	上海卜蜂工業貿易有限公司 (Shanghai C. P. Industrial Trading Co., Ltd.*)
Type of the enterprise	Limited liability company (wholly-owned by a Taiwan, Hong Kong or Macau investor)
Business license number of the enterprise	310000400447752
Legal representative	Prasertsak Ongwattanakul
Address of registered office	Room 9F01, 168 West Lujiazui Road, Pudong District, Shanghai, China
Date and place of incorporation	23 November 2005, China
Term of operation	23 November 2005 to 22 November 2035
Registered capital	US\$200,000
Paid-in capital	US\$200,000
Total investment capital	US\$280,000
Business scope	Wholesale, sale on commission (excluding auction sale) and import and export of auto parts and components, locomotive parts and components, agricultural machinery, construction engineering machinery, machine tools, instruments and meters, electric machines and all types of hardware; provision of relevant auxiliary services (commodities subject to special quota control must be handled in accordance with the relevant national requirements, and operations subject to administrative approval must be licensed)
Shareholder	CP Enterprises (100%)

駐馬店市華正置業有限公司 (Zhumadian Huazheng Property Co. Ltd.) (currently dormant)*

Name of the enterprise	駐馬店市華正置業有限公司 (Zhumadian Huazheng Property Co. Ltd.*)
Type of the enterprise	One person limited liability company
Business license number of the enterprise	411700000055555

Legal representative	YAO Minpu (姚民仆)
Address of registered office	2019, North Leshan Avenue, Zhumadian, Henan, China
Date and place of incorporation	17 December 2013, China
Term of operation	17 December 2013 to 16 December 2023
Registered capital	RMB10 million
Paid-in capital	RMB10 million
Business scope	Development and operation of real estate property (operations which are prohibited from undertaking under the national laws and regulations may not be conducted; businesses which are subject to approval under the national laws and regulations may only be engaged in within the term and scope approved and may not be operated without regulatory approval)
Shareholder	Zhumadian Huazhong (100%)

(b) Hong Kong*Chia Tai Huazhong*

Name of the enterprise	Chia Tai Huazhong Biochemistry Limited (正大華中生化有限公司)
Type of the enterprise	Limited company
Company number	1193956
Address of registered office	21/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
Date and place of incorporation	11 December 2007, Hong Kong
Issued share capital	HK\$1.00
Shareholder	The Company (100%)
Director(s)	(i) Robert Ping-Hsien Ho (ii) Siu Chik Pang (iii) Thirayut Phityaisarakul

Chia Tai Pucheng

Name of the enterprise	Chia Tai Pucheng Biochemistry Limited (正大浦城生化有限公司)
Type of the enterprise	Limited company
Company number	0166576
Address of registered office	21/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
Date and place of incorporation	14 March 1986, Hong Kong
Issued share capital	US\$10,000
Shareholder	The Company (100%)
Director(s)	(i) Robert Ping-Hsien Ho (ii) Siu Chik Pang (iii) Thirayut Phityaisarakul

CP Enterprises

Name of the enterprise	C.P. Enterprises Limited (卜蜂實業有限公司)
Type of the enterprise	Limited company
Company number	0127973
Address of registered office	21/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
Date and place of incorporation	6 September 1983, Hong Kong
Issued share capital	HK\$27.8 million
Shareholder	The Company (100%)
Director(s)	(i) Thanakorn Seriburi (ii) Robert Ping-Hsien Ho (iii) Sumet Jiaravanon (iv) Sunthorn Arunanondchai

Golden Industrial

Name of the enterprise	Golden Industrial Investment Limited (輝煌工業投資有限公司)
Type of the enterprise	Limited company
Company number	1193959
Address of registered office	21/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
Date and place of incorporation	11 December 2007, Hong Kong
Issued share capital	HK\$1.00
Shareholder	The Company (100%)
Director(s)	(i) Sumet Jiaravanon (ii) Thanakorn Seriburi (iii) Prasertsak Ongwattanakul (iv) Robert Ping-Hsien Ho

*(c) BVI**ECI Machinery*

Name of the enterprise	ECI Machinery Co., Ltd.
Type of the enterprise	Limited company
Company number	311238
Address of registered office	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
Date and place of incorporation	5 February 1999, BVI
Authorised share capital	US\$50,000.00 divided into 50,000 shares of US\$1.00 each
Issued share capital	US\$1.00 divided into 1 share of US\$1.00 each
Shareholder	CP Enterprises
Director(s)	(i) Thanakorn Seriburi (ii) Prasertsak Ongwattanakul (iii) Robert Ping-Hsien Ho

D. FURTHER INFORMATION ABOUT THE DIRECTORS, MANAGEMENT STAFF AND SUBSTANTIAL SHAREHOLDERS

1 Disclosure of interests

Immediately following the completion of the Spin-off and the Listing, the interests and/or short positions of our Director(s) in our Ordinary Shares, underlying shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), (ii) will be required pursuant to Section 352 of the SFO to be entered in the register referred to therein or (iii) will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules to be notified to our Company and the Stock Exchange, will be as follows:

(i) *Interests in the Ordinary Shares*

Name of Director	Number of Ordinary Shares held	Nature of interest	Approximate percentage of issued Ordinary Shares (%)
Mr. Thirayut Phityaisarakul	410,000	Personal interest	0.2
Mr. Thanakorn Seriburi	625,848	Personal interest	0.3

(ii) *Interests in the shares of our associated corporations*

CPP

Name of Director	Number of CPP Ordinary Shares held	Nature of interest	Approximate percentage of issued CPP Ordinary Shares (%)
Mr. Thirayut Phityaisarakul	41,000,000	Personal interest	0.2
Mr. Thanakorn Seriburi	62,584,807	Personal interest	0.3

2 Particulars of letters of appointment

Each of the executive Directors and the non-executive Director has entered into a letter of appointment with our Company for a period commencing on (or, for the two executive Directors who had been Directors, confirming their appointment as from) the date of the respective letters of appointment and subject to termination by our Directors or our Company, the requirements of the Listing Rules and the provisions of rotation and retirement of Directors under the Bye-laws.

Each of the independent non-executive Directors has entered into a letter of appointment with our Company for a period commencing on the date of the respective letters of appointment for a term of three years (which may be renewed), subject to termination by our Directors or our Company, the requirements of the Listing Rules and the provisions of rotation and retirement of Directors under the Bye-laws.

Pursuant to the terms of the letter of appointment entered into between each Director on the one part and our Company on the other part, each of the executive Directors and the non-executive Directors will not receive any remuneration for his office as a Director, whereas the annual director's fee payable by our Company to each of the independent non-executive Directors is HK\$240,000 (or a pro rata amount for any incomplete year during the term of appointment) commencing from the date on which our Ordinary Shares first commence dealings on the Stock Exchange. The director's fee payable by our Company to each of the independent non-executive Directors is subject to increase or reduction as shall be determined or approved by the Board or the Shareholders.

Each of the Directors is entitled to reimbursement from our Company for all necessary and reasonable out-of-pocket expenses properly incurred in connection with the performance and discharge of his duties under his letter of appointment.

Save as disclosed above, none of the Directors has entered into any service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3 Directors' remuneration

- (i) Our Directors receive remuneration in the form of fees, salaries, bonuses, other allowances and benefits in kind, including our Company's contribution to the pension scheme on their behalf. Our policy concerning the remuneration of our Directors is that the amount of remuneration is determined on the basis of the relevant Director's experience, responsibility, performance and the time devoted to our business.
- (ii) The aggregate amount of remuneration which was paid to one of our Directors (the other Directors did not receive remuneration from our Group) for each of the three years ended 31 December 2012, 2013 and 2014 were approximately USD532,000, USD532,000 and USD801,000, respectively.
- (iii) Under the arrangements currently in force, it is estimated that an aggregate of approximately USD878,000 will be paid to our Directors as remuneration (including benefits in kind but excluding any discretionary bonus which may be paid to any executive Director) by our Group for the year ending 31 December 2015.
- (iv) None of our Directors has been paid any sum of money for each of the three years ended 31 December 2012, 2013 and 2014 for (i) the loss of office as director or any other office in connection with the management affairs of any member of our Group or (ii) as an inducement to join or upon joining our Group or any member of our Group.
- (v) There has been no arrangement under which a Director has waived or agreed to waive any emoluments in each of the three years ended 31 December 2012, 2013 and 2014.

4 Substantial Shareholders

So far as our Directors are aware, and assuming that CPP Shareholders' respective shareholdings in CPP as at the Distribution Record Date will be the same as at the Latest Practicable Date, immediately following completion of the Spin-off and the Listing, the following persons (other than the Directors) will have an interest and/or a short position in our Ordinary Shares or any other underlying shares of our Company that would fall to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) or will be, directly or indirectly, interested in 10% or more of nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

Interests and long positions in the Ordinary Shares

Name	Capacity	Interests in number of Ordinary Shares	Approximate percentage of issued Ordinary Shares (%)
CPG ⁽¹⁾	Interest in a controlled corporation	127,748,147	53.1
CPF ⁽²⁾	Beneficial owner and interest in a controlled corporation	127,748,147	53.1
CPFI ⁽²⁾	Beneficial owner	115,137,370	47.8
ITOCHU Corporation ⁽³⁾	Beneficial owner	60,179,593	25.0

Notes:

- (1) CPG will hold approximately 53.1% interest in our Ordinary Shares in issue upon completion of the Spin-off and the Distribution by virtue of its interest in approximately 39.1% of the issued share capital of CPF.
- (2) CPF will hold approximately 53.1% interest in our Ordinary Shares in issue upon completion of the Spin-off and the Distribution, which will include (i) 12,610,777 Preference Shares beneficially owned by CPF and (ii) 115,137,370 Ordinary Shares beneficially owned by its wholly-owned subsidiary, CPFI.
- (3) ITOCHU Corporation will hold 25% interest in our Ordinary Shares in issue by virtue of its direct holding of 60,179,593 Ordinary Shares.

5 Agency Fees or Commissions Received

Save as disclosed in this listing document, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of its subsidiaries within the two years ended on the date of this listing document.

6 Personal Guarantees

Our Directors have not provided personal guarantees in favour of lenders in connection with banking facilities granted to our Group.

7 Disclaimers

Save as disclosed in this listing document:

- (i) none of our Directors has any interest or short position in the Ordinary Shares, underlying shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) immediately following the completion of the Spin-off and the Listing which (i) will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they are taken or deemed to have under such provisions of the SFO), (ii) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules to be notified to our Company and the Stock Exchange;
- (ii) so far as is known to any Director, no person has an interest or short position in the Ordinary Shares or any underlying shares of our Company which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (iii) none of our Directors nor any of the experts referred to in “– *F. Other Information – Qualifications and consents of experts*” below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this listing document, acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group;
- (iv) none of our Directors nor any of the experts referred to in “– *F. Other Information – Qualifications and consents of experts*” below, is materially interested in any contract or arrangement subsisting at the date of this listing document which is significant in relation to the business of our Group;
- (v) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (vi) none of our Directors nor experts referred to in “– *F. Other Information – Qualifications and consents of experts*” below, has received any agency fee, commissions, discounts, brokerage or other special terms from our Group within the two years immediately preceding the date of this listing document in connection with the issue or sale of any capital of any member of our Group;
- (vii) none of our Controlling Shareholder and our Directors are interested in any business apart from our Group’s business which competes or is likely to compete, directly or indirectly, with the business of our Group;

- (viii) no cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this listing document to any promoter of our Company nor is any such cash, securities or benefit intended to be paid, allotted or given on the basis of the Listing or related transactions as mentioned; and
- (ix) so far as is known to our Directors, none of our Directors or their associates and shareholders of our Company who are expected to be interested in 5% or more of the issued share capital of our Company has any interest in the five largest customers or the five largest suppliers of our Group.

E. SHARE OPTION SCHEME

1 Summary of terms

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by the CPP Ordinary Shareholders at the SGM and approved and adopted by a written resolution passed by our sole shareholder on 18 March 2015. The terms of the Share Option Scheme comply with the provisions of Chapter 17 of the Listing Rules.

(i) *Purpose of the Share Option Scheme*

The purpose of the Share Option Scheme is to enable our Company to grant options to selected Eligible Persons (as defined in paragraph (ii) below) as incentives or rewards for their contribution or potential contribution to the Group.

(ii) *Who may join and basis of eligibility*

Subject to the rules of the Share Option Scheme and all applicable regulatory and legal requirements including, if applicable, any codes of conduct, the Board may, at its absolute discretion and on such terms as it may think fit, grant options to any Eligible Person to subscribe at a price calculated in accordance with paragraph (iii) below for such number of Ordinary Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any of the Eligible Persons to the grant of options shall be determined by the Board from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

For the purpose of this section headed “Share Option Scheme”, “**Controlling Shareholder**” means, in relation to a company, any person who is or group of persons who are together entitled to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Takeovers Code (approved by the SFC as amended from time to time) as being the level for triggering a mandatory general offer) or more of the voting power at general meetings of that company or who is or are in a position to control the composition of a majority of the board of directors of that company.

“Eligible Person” means:

- (i) any director (whether executive or non-executive, including any independent non-executive director), employee (whether full time or part time) of, or any individual for the time being seconded to work for, any member of the Group who, in the Board’s opinion, has contribution or potential contribution to the Group; or
- (ii) any holder of any securities issued by any member of the Group or any Controlling Shareholder of the Company (or any Controlling Shareholder of a Controlling Shareholder of the Company) or any company controlled by such Controlling Shareholder (who, in the Board’s opinion, has contribution or potential contribution to the Group); or
- (iii) (a) any business or joint venture partner, contractor, agent or representative of,
 - (b) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services incident to the business of the Company and/or its subsidiaries to,
 - (c) any investor, vendor, supplier, producer, developer, agent, licensor or service provider of, or
 - (d) any customer, licensee (including any sub-licensee), wholesaler, retailer, trader or distributor of goods or services of,any member of the Group or any Controlling Shareholder of the Company (or any Controlling Shareholder of a Controlling Shareholder of the Company) or any company controlled by such Controlling Shareholder (who, in the Board’s opinion, has contribution or potential contribution to the Group);

and, for the purposes of the Share Option Scheme, shall include any company controlled by one or more persons belonging to any of the above classes of participants.

(iii) Option price for subscription of Ordinary Shares

The option price per Ordinary Share payable on the exercise of an option is to be determined by the Board provided always that it shall be at least the higher of:

- (i) the closing price of the Ordinary Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date on which an option is granted (which must be a business day) (the “**Date of Grant**”); and
- (ii) the average closing price of the Ordinary Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the Date of Grant,

(as subsequently adjusted pursuant to the terms of the Share Option Scheme, if relevant), provided that the option price per Ordinary Share shall in no event be less than the nominal amount of one Ordinary Share.

(iv) Payment on grant of option

A grantee is not required to pay for the grant of any option.

(v) Maximum number of Ordinary Shares

- A.** Subject to sub-paragraphs (B) and (C) below, the maximum number of Ordinary Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company as from the commencement of the Scheme Period (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of the Ordinary Shares in issue as at the Listing Date (the “**Scheme Mandate**”). The Ordinary Shares underlying any options granted under the Share Option Scheme or any other share option schemes of the Company which have been cancelled (but not options which have lapsed in accordance with the terms of the Share Option Scheme or (as the case may be) any other share option schemes of the Company) will be counted for the purpose of the Scheme Mandate.
- B.** The Scheme Mandate may be refreshed at any time by obtaining approval of the Ordinary Shareholders at general meeting provided that the new limit under the refreshed Scheme Mandate must not exceed 10% of the Ordinary Shares in issue at the date of the Ordinary Shareholders’ approval of such refreshed Scheme Mandate (or any other limit(s) provided in the Listing Rules). Options previously granted under the Share Option Scheme or any other share option schemes of the Company (including those exercised, outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) will not be counted for the purpose of calculating the total number of Ordinary Shares subject to the refreshed Scheme Mandate.
- C.** The Company may also, by obtaining separate approval of the Ordinary Shareholders at general meeting, grant options to subscribe for Ordinary Shares (whether under the Share Option Scheme or otherwise) beyond the Scheme Mandate provided the options in excess of the Scheme Mandate are granted only to Eligible Persons specifically identified by the Company before such approval is sought.
- D.** The aggregate number of Ordinary Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the Ordinary Shares in issue from time to time (or any other limit(s) provided in the Listing Rules).

(vi) Maximum entitlement of each Eligible Person

The maximum number of Ordinary Shares issued and to be issued upon exercise of options granted under the Share Option Scheme and any other share option schemes of the Company to any Eligible Person (including cancelled, exercised and outstanding options), in any 12-month period up to the Date of Grant shall not exceed 1% of the Ordinary Shares in issue. Any further grant of options in excess of such limit must be separately approved by Ordinary Shareholders with such Eligible Person and his close associates (or his associates if that Eligible Person is a connected person) abstaining from voting.

(vii) Grant of options to certain connected persons

- A. Any grant of an option to a Director, chief executive or substantial shareholder of the Company (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- B. Where any grant of options to a substantial shareholder of the Company or an independent non-executive Director (or any of their respective associates) will result in the total number of Ordinary Shares issued and to be issued upon exercise of options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the Date of Grant to:–
- (i) represent in aggregate over 0.1% of the Ordinary Shares in issue; and
 - (ii) have an aggregate value, based on the closing price of the Ordinary Shares at each Date of Grant, in excess of HK\$5 million

(or any other limit(s) provided in the Listing Rules), such further grant of options is required to be approved by Ordinary Shareholders at a general meeting of the Company. The grantee of the option, his associates and all core connected persons of the Company shall abstain from voting at such general meeting. Any change in the terms of an option granted to a substantial shareholder of the Company or an independent non-executive Director or any of their respective associates is also required to be approved by Ordinary Shareholders in the aforesaid manner.

(viii) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period commencing on such date on or after the Date of Grant as the Board may determine in granting the option and expiring at the close of business on such date as the Board may determine in granting the option but in any event shall not exceed ten years from the Date of Grant.

(ix) Performance targets

Save as determined by the Board and provided in the offer of the grant of the relevant option, there is no performance target which must be achieved before any of the options can be exercised.

(x) Ranking of Ordinary Shares

If under the terms of a resolution passed or an announcement made by the Company prior to the date of exercise of an option, a dividend is to be or is proposed to be paid, or Ordinary Shares are to be issued or proposed to be issued by way of the capitalisation of profits or reserves or by way of rights under an offer made pro rata, to Ordinary Shareholders on the register of members of the Company on a date prior to such date of exercise, the Ordinary Shares to be issued upon such exercise will not rank for such dividend or such Shares. Subject as aforesaid, Ordinary Shares allotted upon the exercise of an outstanding option will be subject to all the provisions of the memorandum of association and bye-laws of the Company for the time being in force and will rank *pari passu* in all respects with the Ordinary Shares in issue on the date of such exercise. Ordinary Shares allotted upon the exercise of an option for the time being outstanding shall not carry voting rights until completion of the registration of the option holder (or any other person) as the holder thereof.

(xi) Rights are personal to grantee

Except in relation to the transmission of an option to the personal representatives of a grantee following the death of the grantee, an option shall not be transferable or assignable and shall be personal to the grantee of the option.

(xii) Rights of exercise for grantees

If a grantee of an option who at the time of grant of an option to him qualified as an Eligible Person under any of the criteria set out in the definition of “Eligible Person” ceases to be qualified under such criterion, the Board in its absolute discretion may decide that such Option or any part thereof shall not so lapse or determine subject to such conditions or limitations as it may decide (including in the case where when he so ceases he still qualifies as an Eligible Person because he falls within another criterion set out in the definition of “Eligible Person”).

(xiii) Rights on exercise for grantees which were companies controlled by any of the Eligible Persons

In respect of any option granted to a company which qualified as an Eligible Person because it was a company controlled by a person (“**Such Person**”) who was an Eligible Person:

- (i) the relevant provisions set out in paragraphs (xii) would apply to its outstanding option *mutatis mutandis* as if the option had been granted to Such Person; and

- (ii) its outstanding option shall lapse on the date it ceases to be a company controlled by Such Person,

provided always that in each case the Board in its absolute discretion may decide that such option or any part thereof shall not so lapse or determine subject to such conditions or limitations as it may decide.

(xiv) Failure to meet continuing eligibility criteria

If the Board in the grant of the relevant option has specified that the grantee has to meet certain continuing eligibility criteria and that the failure of the grantee to meet any such continuing eligibility criterion would entitle the Company to cancel the option then outstanding (or part thereof), then upon the failure of the grantee to meet any such continuing eligibility criterion, his outstanding option shall lapse and determine on the date the Board exercises the Company's right to cancel the option on the ground of such failure.

(xv) Rights on a general offer

If a general offer by way of takeover is made to all the Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or connection with the offeror, the grantee of an option shall, subject to paragraph (viii) above, be entitled to exercise at any time within a period of fourteen days after such control has been obtained by the offeror any option in whole or in part to the extent not already exercised (and notwithstanding any restrictions which would otherwise have prevented such option from being exercisable at that time). For the avoidance of doubt, an option not so exercised shall remain valid in accordance with its terms and subject to such restrictions as applied to it before the general offer.

(xvi) Rights on winding-up

If notice is given by the Company to our Shareholders of a special general meeting at which a resolution will be proposed for the voluntary winding-up of the Company, the Company shall forthwith give notice to all grantees of options and each grantee shall be entitled, at any time no later than two business days prior to the proposed meeting, to exercise any of his outstanding options in whole or in part to the extent not already exercised (and notwithstanding any restrictions which would otherwise have prevented such option from being exercisable at that time). If such resolution is duly passed, all options shall, to the extent that they have not been exercised, thereupon lapse and determine on the commencement of the winding-up.

(xvii) Rights on compromise or arrangement

In the event of a compromise or arrangement between the Company and the Shareholders or the Company's creditors being proposed in connection with a scheme for the reconstruction or amalgamation of the Company pursuant to the Companies Act, notice of the relevant meeting shall be given to the grantees of options on the same day notice is given to the Shareholders and the Company's creditors, and thereupon each grantee (or where permitted his personal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of the date falling two calendar months thereafter and the date on which such compromise or arrangement is sanctioned by the Supreme Court of Bermuda be entitled to exercise his option, but such exercise of an option shall be conditional upon such compromise or arrangement being sanctioned by the Supreme Court of Bermuda and becoming effective. Failing such exercise, all options will lapse.

(xviii) Lapse of options

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the period referred to in paragraph (viii) above;
- (ii) the date on which the grantee commits a breach of paragraph (xi) above, if the Board shall exercise the Company's right to cancel the option;
- (iii) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (xii), (xiii) or (xiv) above; and
- (iv) the expiry of any of the relevant periods referred to in paragraphs (xv), (xvi) or (xvii) above.

(xix) Cancellation of options granted but not yet exercised

Following the cancellation of any options granted under the Share Option Scheme but not exercised, new options may only be granted to the same grantee under the Share Option Scheme with available unissued options (excluding the cancelled options) within the limit of the Scheme Mandate then available to the Board.

(xx) Effects of alterations to capital

In the event of any variation in the issued share capital of the Company arising from any issue of shares in or other securities of the Company by way of capitalisation of profits or reserves or by way of rights under an offer made pro rata to the Shareholders or from any sub-division or consolidation of shares in the capital of the Company or reduction of the share capital of the Company, the number of Ordinary Shares comprised

in each option for the time being outstanding and/or the option price thereunder may be adjusted in such manner as the Board (having, except in the case of an issue of Shares or other securities of the Company by way of the capitalisation of profits or reserves, received a statement in writing from the auditors of the Company or an independent financial adviser appointed for such purpose that in their opinion the adjustments satisfy the requirements of the relevant terms of the Share Option Scheme) may deem appropriate, provided always that (in the case of adjustment to the number of Shares comprised in each outstanding option) the grantee shall have the same proportion of the equity capital of the Company to which he was entitled before such adjustments, and that no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of Shares as consideration in a transaction will not be regarded as a circumstance requiring adjustment.

(xxi) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the Listing Date and shall expire at the close of business on the day preceding the tenth anniversary thereof unless terminated earlier by the Ordinary Shareholders in general meeting.

(xxii) Alteration to the Share Option Scheme

- A. No amendment shall be made to the terms and conditions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 17.03 of the Listing Rules except with the prior approval of the Ordinary Shareholders in general meeting.
- B. Any amendment to any terms of the Share Option Scheme which are of a material nature or any change to the options granted must be approved by the Ordinary Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- C. Any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by the Ordinary Shareholders in general meeting.
- D. Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

(xxiii) Restrictions on the time of grant of option

A grant of options may not be made at any time when the Company is prohibited from doing so under any provisions of the Listing Rules.

(xxiv) Termination of the Share Option Scheme

The Company may terminate the Share Option Scheme at any time following which no further options will be granted but in all other respects the rules of the Share Option Scheme shall continue in full force and effect in respect of such options as may have been granted under the Share Option Scheme prior to such termination. Any options granted prior to such termination, including options exercised or outstanding under the Share Option Scheme, shall continue to be valid and exercisable in accordance with the rules of the Share Option Scheme.

(xxv) Relationship with employment

Nothing in the rules or the operation of the Share Option Scheme forms part of the contract of employment of an employee of a member of the Group. The rights and obligations arising from the employment relationship between the employee of a member of the Group and his employer are separate from, and are not affected by, the Share Option Scheme and do not give rise to any entitlement to selection of the employee by the Board for the grant of any option. Participation in the Share Option Scheme does not create any right to, or expectation of, continued employment. Participation in the Share Option Scheme or the grant of options on a particular basis in any year does not create any right to or expectation of participation in the Share Option Scheme or the grant of options on the same basis, or at all, in any future year.

The employee of a member of the Group will have no claim or right of action in respect of any decision, omission or discretion which may operate to the disadvantage of the employee of a member of the Group even if it is unreasonable, irrational or might otherwise be regarded as being in breach of the duty of trust and confidence (and/or any other implied duty) between the employee of a member of the Group and his employer.

No employee of a member of the Group has any right to compensation for any loss in relation to the Share Option Scheme, including any loss in relation to:

- (i) any loss or reduction of rights or expectations under the Share Option Scheme in any circumstances (including lawful or unlawful termination of employment);
- (ii) any exercise of a discretion or a decision taken in relation to an option or to the Share Option Scheme, or any failure to exercise a discretion or take a decision; or
- (iii) the operation, suspension, termination or amendment of the Share Option Scheme.

(xxvi) Data protection

By participating in the Share Option Scheme, the grantee of the option consents to the holding and processing of personal data provided by the grantee to any member of the Group, trustee or third party service provider for all purposes relating to the operation of the Share Option Scheme. These include, but are not limited to:

- (i) administering and maintaining grantee records;
- (ii) providing information to members of the Group, trustees of any employee benefit trust, registrars, brokers or third party administrators of the Share Option Scheme;
- (iii) providing information to future purchasers of the Company or the business in which the grantee works; and
- (iv) transferring information about the grantee to any country or territory even though it may not provide the same statutory protection for the information as the grantee's home country.

2 Present status of the Share Option Scheme*(i) Application to the Listing Committee*

Application has been made to the Listing Committee for the listing of and permission to deal in the Ordinary Shares which may fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme.

(ii) Conditions to the Share Option Scheme

The Share Option Scheme is conditional on:

- (i) the Share Option Scheme being approved by ordinary resolution of CPP Ordinary Shareholders at a general meeting of CPP (such ordinary resolution was passed at the SGM);
- (ii) the granting of the approval by the Stock Exchange for the listing of, and permission to deal in, the Ordinary Shares on the Main Board of the Stock Exchange by way of introduction being obtained and the commencement of dealings in the Ordinary Shares on the Stock Exchange; and
- (iii) the Listing Committee granting the listing of, and permission to deal in, the Ordinary Shares which may fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme.

If the above conditions are not satisfied within six months after the date the Share Option Scheme was conditionally adopted, the Share Option Scheme shall forthwith determine, any option granted or agreed to be granted shall be of no effect and no person shall be entitled to any rights or benefits or be under any obligation under or in respect of the Share Option Scheme or any option.

(iii) Options granted

As at the Latest Practicable Date, no options have been granted or agreed to be granted under the Share Option Scheme.

(iv) Disclosure

Our Company shall disclose details of the Share Option Scheme in its annual and interim reports in accordance with the Listing Rules in force from time to time.

F. OTHER INFORMATION**1 Litigation**

Save as disclosed in “Business – Legal Compliance and Proceedings”, as at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against any member of our Group.

2 Application for Listing

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, our Ordinary Shares in issue and any Ordinary Shares which may be issued pursuant to the exercise of conversion rights attached to the Preference Shares or the exercise of options which may be granted under the Share Option Scheme, on the Main Board of the Stock Exchange.

All necessary arrangements have been made to enable our Ordinary Shares to be admitted into the CCASS.

3 Registration procedures

The registers of members of our Company for our Ordinary Shares and for our Preference Shares will be maintained in Bermuda by Appleby Management (Bermuda) Ltd. and a Hong Kong register of members of our Company for our Ordinary Shares only will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. Save where the Directors otherwise agree, all transfers and other documents of title to Ordinary Shares must be lodged for registration with, and registered by, our Company’s branch share register in Hong Kong and may not be lodged in Bermuda.

4 Preliminary expenses

The total preliminary expenses of our Company of approximately USD5,000 were paid by our Company.

5 Promoter

Our Company does not have promoters. Save as disclosed in this listing document, within the two years immediately preceding the date of this listing document, no cash, securities or other benefits has been paid, allotted or given to any promoters.

6 Listing expenses

The estimated total listing expenses incurred in relation to the listing of our Ordinary Shares on the Main Board are approximately US\$6.7 million, US\$5.5 million of which were charged to our statement of comprehensive income for the year ended 31 December 2014 and the remaining US\$1.2 million will be charged to our statement of comprehensive income for the year ending 31 December 2015. These listing expenses are mainly comprised of professional fees paid/payable to the parties involved in the listing of our Ordinary Shares on the Main Board for their services rendered for the purpose of the listing of our Ordinary Shares on the Main Board.

7 Sole Sponsor's independence

UBS Securities Hong Kong Limited satisfies the independence criteria applicable to sponsors as set forth in Rule 3A.07 of the Listing Rules. The sole sponsor's fees payable by us in respect of the sole sponsor's services as sponsor for the Listing are US\$1.0 million.

8 Qualifications and consents of experts

The following are the qualifications of the experts which have given opinions or advice which are contained in, or referred to in, this listing document:

<u>Expert</u>	<u>Qualification</u>
UBS Securities Hong Kong Limited	Licensed under the SFO to conduct type 1 (dealing in securities), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities
Appleby	Bermuda attorneys-at-law
Jun He Law Offices	PRC legal adviser
KPMG	Certified Public Accountants

Each of UBS Securities Hong Kong Limited, Appleby, Jun He Law Offices and KPMG has given and has not withdrawn its consent to the issue of this listing document with the inclusion of its report and/or letter and/or opinion and/or references to its name included herein in the form and context in which they are respectively included.

9 No material adverse change

Our Directors confirmed that, up to the date of this listing document, save as disclosed in this listing document, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2014, being the date to which the latest audited combined financial statements of our Group were made up.

10 Bilingual documents

The English language and Chinese language versions of this listing document are being published separately. This listing document is written in English language and contains a Chinese translation for information purposes only. Should there be any discrepancy between the English language version of this listing document and the Chinese translation, the English language version of this listing document shall prevail.

11 Miscellaneous

- (i) Save as disclosed in this listing document:
 - (a) within the two years preceding the date of this listing document, no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (b) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (c) no founders, management or deferred shares of our Company or any of its subsidiaries have been issued or agreed to be issued;
 - (d) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;
 - (e) we have no outstanding convertible debt securities or debentures; and
 - (f) within the two years preceding the date of this listing document, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of their subsidiaries.
- (ii) None of UBS Securities Hong Kong Limited, Appleby, Jun He Law Offices and KPMG:
 - (a) is interested beneficially or non-beneficially in any shares in any member of our Group; or
 - (b) has any right (save in their respective capacities as CPP Qualifying Shareholders, if applicable) or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.
- (iii) No company within our Group is presently listed on any stock exchange or traded on any trading system.

- (iv) The English text of this listing document shall prevail over its Chinese text.

- (v) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this listing document.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Linklaters at 10th Floor, Alexandra House, Chater Road, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this listing document:

- (a) the Memorandum of Association and the Bye-laws;
- (b) the Accountants' Report received from KPMG, the text of which is set out in "Appendix I – Accountants' Report";
- (c) the letter from Appleby, our Company's Bermuda legal adviser, summarising the constitution of our Company and certain aspects of Bermuda Company Law referred to in "Appendix II – Summary of the Constitution of the Company and Bermuda Company Law";
- (d) the legal opinions prepared by Jun He Law Offices, our Company's PRC legal adviser, in respect of certain aspects of our Group and our property interests;
- (e) the service contracts and letters of appointment referred to in "Appendix III – General Information – C. Further Information about the Directors, Management Staff and Substantial Shareholders – 2. Particulars of letters of appointment";
- (f) the material contracts referred to in "Appendix III – General Information – B. Further Information about the Business of Our Company – 1. Summary of material contracts";
- (g) the written consents referred to in "Appendix III – General Information – E. Other Information – 8. Qualifications and consents of experts"; and
- (h) the rules of the Share Option Scheme.



Chia Tai Enterprises International Limited
正大企業國際有限公司