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## CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED

中國航天國際控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 31)

### ANNOUNCEMENT OF ANNUAL RESULTS 2016

The Board of Directors (the “Board”) of China Aerospace International Holdings Limited (the “Company”) is pleased to announce the audited results and financial statements of the Company and its subsidiaries (collectively the “Group”) for the financial year ended 31 December 2016.

#### SUMMARY OF RESULTS

The audited consolidated results of the Group for the year ended 31 December 2016 and the comparative figures of the same period in 2015 are as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTES	2016 HK\$'000	2015 HK\$'000
Turnover	3	3,087,848	2,765,720
Cost of sales		(2,296,492)	(2,205,494)
Gross profit		791,356	560,226
Other income	4	53,632	75,832
Other gains and losses	4	(19,481)	(109,238)
Selling and distribution expenses		(57,925)	(49,538)
Administrative expenses		(312,660)	(307,166)
Research and development expenses		(63,089)	(57,734)
Fair value changes of investment properties		1,412,301	2,622,170
Finance costs		(53,440)	(33,396)
Share of results of associates		1,880	(51,117)
Share of results of joint ventures		(29,909)	(2,626)
Profit before taxation	5	1,722,665	2,647,413
Taxation	6	(519,413)	(1,021,090)
Profit for the year		1,203,252	1,626,323
Profit attributable to:			
Owners of the Company		796,108	984,696
Non-controlling interests		407,144	641,627
Profit for the year		1,203,252	1,626,323

	<i>NOTE</i>	2016	2015
Earnings per share	7		
Basic		<b><u>HK25.81 cents</u></b>	<b><u>HK31.92 cents</u></b>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	<b><u>1,203,252</u></b>	<b><u>1,626,323</u></b>

**Other comprehensive income includes:**

*Items that may be reclassified subsequently to profit or loss:*

Exchange differences arising on translating foreign operations		
- subsidiaries	<b>(370,195)</b>	(274,674)
- associates	<b>(7,888)</b>	(7,678)
- joint ventures	<b>(41,618)</b>	(40,677)
Reclassification adjustments for the cumulative exchange differences upon deregistration of a foreign operation	<b>1,138</b>	—
Other comprehensive expense for the year	<b><u>(418,563)</u></b>	<b><u>(323,029)</u></b>
Total comprehensive income for the year	<b><u>784,689</u></b>	<b><u>1,303,294</u></b>

Total comprehensive income attributable to:

Owners of the Company	<b>485,622</b>	744,385
Non-controlling interests	<b>299,067</b>	558,909
	<b><u>784,689</u></b>	<b><u>1,303,294</u></b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2016**

	<i>NOTES</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		953,527	806,722
Prepaid lease payments		94,711	94,626
Investment properties		8,492,873	7,155,275
Interests in associates		126,285	132,293
Interests in joint ventures		712,103	783,630
Deposit paid for property, plant and equipment		22,766	9,373
Other long term assets		33,108	—
Loan to a joint venture		27,778	—
		<u>10,463,151</u>	<u>8,981,919</u>
<b>Current assets</b>			
Inventories		262,021	243,604
Trade and other receivables	9	873,050	647,547
Prepaid lease payments		4,234	3,849
Amount due from a related party		16	14
Financial assets at fair value through profit or loss		25,675	17,169
Pledged bank deposits		6,158	36,035
Bank balances and cash		1,150,271	2,045,506
		<u>2,321,425</u>	<u>2,993,724</u>
<b>Current liabilities</b>			
Trade and other payables	10	1,545,965	1,093,748
Taxation payable		58,347	51,909
Bank and other borrowings		31,111	1,340,260
Other loan		7,963	8,462
		<u>1,643,386</u>	<u>2,494,379</u>
<b>Net current assets</b>		<u>678,039</u>	<u>499,345</u>
<b>Total assets less current liabilities</b>		<u>11,141,190</u>	<u>9,481,264</u>
<b>Non-current liabilities</b>			
Loan from a controlling shareholder		555,556	590,319
Loan from a related party		565,667	—
Deferred taxation		2,044,833	1,687,683
		<u>3,166,056</u>	<u>2,278,002</u>
		<u>7,975,134</u>	<u>7,203,262</u>

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Capital and reserves</b>		
Share capital	1,154,511	1,154,511
Reserves	5,035,647	4,551,259
	<hr/>	<hr/>
<b>Equity attributable to owners of the Company</b>	6,190,158	5,705,770
<b>Non-controlling interests</b>	1,784,976	1,497,492
	<hr/>	<hr/>
	<b>7,975,134</b>	<b>7,203,262</b>
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
*FOR THE YEAR ENDED 31 DECEMBER 2016*

**1. BASIS OF PREPARATION**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance (Cap. 622) (the "Hong Kong Companies Ordinance"). The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments, which are measured at fair values.

**2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS**

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKFRS 11	Accounting for acquisitions of interest in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments <sup>1</sup>
HKFRS 15	Revenue from contracts with customers and the related Amendments <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 "Financial instruments" with HKFRS 4 "Insurance contracts" <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale and contribution of assets between an investor and its associate or joint venture <sup>3</sup>
Amendments to HKAS 7	Disclosure initiative <sup>4</sup>
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses <sup>4</sup>
Amendments to HKFRSs	Annual improvements to HKFRSs 2014-2016 cycle <sup>5</sup>

- <sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.
- <sup>2</sup> Effective for annual periods beginning on or after 1 January 2019.
- <sup>3</sup> Effective for annual periods beginning on or after a date to be determined.
- <sup>4</sup> Effective for annual periods beginning on or after 1 January 2017.
- <sup>5</sup> Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

Except for the possibility that the application of HKFRS 9, HKFRS 15 and HKFRS 16 in the future may have a potential impact on the consolidated financial information of the Group, the Directors anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

### 3. SEGMENT INFORMATION

The Group determines its operating segments based on the internal reports reviewed by the President, the chief operating decision maker ("CODM") of the Group, that are used to make strategic decisions. The management has identified 10 reportable and operating segments, namely Hi-Tech Manufacturing Business (including plastic products, liquid crystal display, printed circuit boards, intelligent chargers and the related industrial property investment), New Material Business (including polyimide films manufacturing), Aerospace Service (including the Shenzhen Aerospace Science & Technology Plaza of property investment project, the Hainan Launching Site Complex Zone of land development project, Internet of Things and Cross-border e-commerce) which represents the major industries in which the Group engaged.

Other business represents income and expenses relating to investment properties which cannot be allocated to other operating segments.

An analysis of the Group's turnover and results by reportable segments is as follows:

#### For the year ended 31 December 2016

	Turnover			Segment results HK\$'000
	External sales HK\$'000	Inter-segment sales HK\$'000	Total HK\$'000	
Hi-Tech Manufacturing Business				
Plastic products	1,111,678	56,651	1,168,329	79,375
Liquid crystal display	521,174	232	521,406	40,969
Printed circuit boards	678,919	—	678,919	133,525
Intelligent chargers	516,356	1,556	517,912	37,717
Industrial property investment	15,554	20,273	35,827	14,482
	<u>2,843,681</u>	<u>78,712</u>	<u>2,922,393</u>	<u>306,068</u>
New Material Business				
Polyimide films manufacturing	—	—	—	2,660
Aerospace Service				
Property investment in Shenzhen Aerospace Science & Technology Plaza	163,943	—	163,943	1,523,913
Land development in Hainan Launching Site Complex Zone	—	—	—	(29,634)
Internet of Things	8,960	—	8,960	5,619
Cross-border e-commerce	66,041	—	66,041	1,515
	<u>238,944</u>	<u>—</u>	<u>238,944</u>	<u>1,501,413</u>
Reportable segment total	3,082,625	78,712	3,161,337	1,810,141
Elimination	—	(78,712)	(78,712)	—
Other Business	5,223	—	5,223	5,341
	<u>3,087,848</u>	<u>—</u>	<u>3,087,848</u>	<u>1,815,482</u>
Unallocated corporate income				46,771
Unallocated corporate expenses				(83,958)
				<u>1,778,295</u>
Gain on disposal of an associate				3
Share of result of an associate				(780)
Share of result of a joint venture				(275)
Finance costs				(53,440)
Loss on deregistration of a subsidiary				(1,138)
Profit before taxation				<u>1,722,665</u>

**For the year ended 31 December 2015**

	Turnover			Segment results HK\$'000
	External sales HK\$'000	Inter-segment sales HK\$'000	Total HK\$'000	
Hi-Tech Manufacturing Business				
Plastic products	1,013,162	63,608	1,076,770	73,304
Liquid crystal display	480,553	722	481,275	32,719
Printed circuit boards	601,994	—	601,994	109,436
Intelligent chargers	621,842	1,671	623,513	42,295
Industrial property investment	14,243	21,171	35,414	17,579
	<u>2,731,794</u>	<u>87,172</u>	<u>2,818,966</u>	<u>275,333</u>
New Material Business				
Polyimide films manufacturing	—	—	—	(50,584)
Aerospace Service				
Property investment in Shenzhen Aerospace Science & Technology Plaza	—	—	—	2,590,285
Land development in Hainan Launching Site Complex Zone	—	—	—	(3,624)
Internet of Things	8,180	—	8,180	(46,228)
Cross-border e-commerce	22,817	—	22,817	(595)
	<u>30,997</u>	<u>—</u>	<u>30,997</u>	<u>2,539,838</u>
Reportable segment total	2,762,791	87,172	2,849,963	2,764,587
Elimination	—	(87,172)	(87,172)	—
Other Business	2,929	—	2,929	5,068
	<u>2,765,720</u>	<u>—</u>	<u>2,765,720</u>	<u>2,769,655</u>
Unallocated corporate income				65,119
Unallocated corporate expenses				(129,146)
				<u>2,705,628</u>
Gain on disposal of an associate				3,716
Share of result of an associate				(533)
Share of result of a joint venture				998
Finance costs				(33,396)
Impairment loss recognised in respect of available-for-sale investments				(29,000)
Profit before taxation				<u>2,647,413</u>

The President regularly reviews these segment information for the purpose of resources allocation and performance assessment. Thus, there is no change on the segment information reported to the President.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represents the profit earned by/loss from each segment without allocation of interest income, change in fair value of financial assets at fair value through profit or loss, share of result of an associate, share of result of a joint venture, interest expenses, gain on disposal of an associate, loss on deregistration of a subsidiary, impairment loss recognised in respect of available-for-sale investments and other corporate income and corporate expenses. This is the measure reported to the President for the purpose of resource allocation and performance assessment.

Inter-segment sales are charged at cost-plus basis.

#### 4. OTHER INCOME AND OTHER GAINS AND LOSSES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
The Group's other income mainly comprises:		
Interest income	<u>30,282</u>	<u>60,805</u>
The Group's other gains and losses mainly comprise:		
Net exchange loss	(22,079)	(51,318)
Net gain (loss) from change in fair value of financial assets at fair value through profit or loss	8,506	(22,455)
Reversal of allowance for (allowance for) doubtful trade debts	2,738	(8,828)
Loss on disposal/written off of property, plant and equipment	(7,491)	(2,074)
Gain on disposal of an associate	3	3,716
Impairment loss recognised in respect of available-for-sale investments	—	(29,000)
Loss on deregistration of a subsidiary	<u>(1,138)</u>	<u>—</u>

#### 5. PROFIT BEFORE TAXATION

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments	3,085	3,933
Amortisation of intangible assets (included in cost of sales)	—	12,633
Auditors' remuneration		
- current year	4,152	4,458
- (over) underprovision in prior years	(368)	106
Cost of inventories charged to profit or loss including allowance for obsolete inventories of HK\$421,000 (2015: HK\$985,000)	2,228,608	2,204,509
Depreciation of property, plant and equipment	97,343	105,005
Minimum lease payments under operating leases in respect of land and buildings	21,508	20,514
Impairment loss recognised in respect of intangible assets	—	11,715
Research and development expenses	63,089	57,734
Staff costs, including directors' remuneration	573,052	546,077
Gross rental income	(164,435)	(17,172)
Less: Direct operating expenses for investment properties that generated rental income during the year	3,926	2,878
	<u>(160,509)</u>	<u>(14,294)</u>

## 6. TAXATION

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
The tax charge (credit) for the year comprises:		
Current tax		
Hong Kong Profits Tax	21,600	23,943
PRC Enterprise Income Tax	14,530	9,774
Taxation in other jurisdiction	2,034	—
	<u>38,164</u>	<u>33,717</u>
Under(over)provision in prior years		
Hong Kong Profits Tax	(104)	(491)
PRC Enterprise Income Tax	622	—
	<u>518</u>	<u>(491)</u>
Deferred tax charge	<u>480,731</u>	<u>987,864</u>
	<u>519,413</u>	<u>1,021,090</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. Two subsidiaries (2015: one) of the Company operating in the PRC are eligible as High and New Technology Enterprise and the income tax rate of these subsidiaries is 15%.

Taxation arising in other jurisdiction, representing withholding tax on dividend income, is calculated at the rate prevailing in the relevant jurisdiction.

## 7. EARNINGS PER SHARE

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Earnings</b>		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	<u>796,108</u>	<u>984,696</u>
	2016 <b>Number of shares</b>	2015 <b>Number of shares</b>
<b>Number of shares</b>		
Number of ordinary shares for the purpose of basic earnings per share	<u>3,085,022,000</u>	<u>3,085,022,000</u>

No diluted earnings per share have been presented as there were no potential ordinary shares outstanding for both years.

## 8. DIVIDENDS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2015 final, paid - HK1 cent (2015: 2014 final dividend of HK1 cent) per share	<u>30,850</u>	<u>30,850</u>

A final dividend of HK2 cents per share in respect of the year ended 31 December 2016 (2015: HK1 cent) has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting.



## 9. TRADE AND OTHER RECEIVABLES

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables	<b>744,630</b>	608,347
Less: Allowance for doubtful debts	<b>(26,509)</b>	(36,165)
	<b>718,121</b>	572,182
Other receivables, deposits and prepayments	<b>154,929</b>	75,365
	<b>873,050</b>	647,547

Included in the Group's other receivables, deposits and prepayments at 31 December 2016 is current portion of other long term assets of HK\$83,237,000 (2015: nil), value-added tax recoverable of HK\$35,024,000 (2015: HK\$21,203,000) and consideration receivable for disposal of investment properties of HK\$6,375,000 (2015: HK\$11,569,000).

The following is an aged analysis of trade receivables net of allowance for doubtful debt presented based on invoice date at the end of the reporting period:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 90 days	<b>687,412</b>	549,751
Between 91 - 180 days	<b>30,377</b>	21,460
Between 181 - 365 days	<b>332</b>	971
	<b>718,121</b>	572,182

The Group allows an average credit period of 90 days to its trade customers. Receivables are unsecured and interest-free. Before accepting any new customer, the Group will internally assess the credit quality of the potential customer and defines appropriate credit limits.

Management closely monitors the credit quality of trade and other receivables and considers the trade and other receivables that are neither past due nor impaired to be of a good credit quality. Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$30,709,000 (2015: HK\$22,431,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. There are no balances included in other receivables which have been past due.

## 10. TRADE AND OTHER PAYABLES

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade payables	<b>414,874</b>	314,815
Accrued charges	<b>154,329</b>	154,771
Receipt in advance	<b>105,839</b>	130,605
Other payables	<b>870,923</b>	493,557
	<b><u>1,545,965</u></b>	<u>1,093,748</u>

Other payables included an amount of HK\$54,000,000 (2015: HK\$54,000,000) received on behalf of China Aerospace Science & Technology Corporation and payables to contractors for investment properties of HK\$540,031,000 (2015: HK\$198,194,000).

The following is an aged analysis of trade payables based on invoice date at the end of the reporting period:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 90 days	<b>330,524</b>	240,803
Between 91 - 180 days	<b>31,004</b>	14,232
Between 181 - 365 days	<b>47,573</b>	48,450
Over 1 year	<b>5,773</b>	11,330
	<b><u>414,874</u></b>	<u>314,815</u>

## CHAIRMAN'S STATEMENT

### OVERVIEW

The dampened growth of the global economy continued in 2016, the economic growth of both China and the U.S. were lower than the previous year. The U.S. experienced a sluggish economic recovery as it is being hindered by several problems including the weak productivity growth and its aging population; Europe is a beneficiary of low interest rate, weak exchange rate, quantitative easing and the diminished magnitude of financial austerity, and recorded a moderate growth in economy; with the accelerated pace of structural adjustment and evident effect of supply side reform in China, as well as the implementation of financial and monetary policies, the development of the economy remained steady; having affected by factors including the uncertainty in global economy, the volatility in global financial markets and the weak export trading, Hong Kong is expected to persist a low growth trend in its economy. The Company and its subsidiaries had fulfilled their full-year business targets better than expected, thanks to their efforts of hardworking and innovation to overcome all difficulties and challenges.

For the year ended 31 December 2016, the Company and its subsidiaries reported a turnover of HK\$3,087,848,000 (2015: HK\$2,765,720,000), representing an increase of 11.65% as compared with that of last year, whereas overall gross profit margin was 25.63% (2015: 20.26%). Owing to the fair value gain of investment properties, Shenzhen Aerospace Science & Technology Plaza, decreased substantially as compared to last year, the overall profit of the Company was reduced accordingly. In 2016, the Company recorded a profit of HK\$1,203,252,000, representing a decrease of 26.01% as compared with that of HK\$1,626,323,000 in 2015; profit attributable to shareholders was HK\$796,108,000, representing a decrease of 19.15% as compared with that of HK\$984,696,000 in 2015; earnings per share attributable to shareholders was HK25.81 cents (2015: HK31.92 cents). The Board recommended the payment of a dividend of HK2 cents per share for the year.

### BUSINESS REVIEW

In 2016, the Company's high-tech manufacturing business remained stable despite of its exposure to greater pressure in operations. Rental income of Shenzhen Aerospace Science & Technology Plaza was recorded for the first time upon its completion successfully. Hainan Aerospace Investment Management Company Limited\*(海南航天投資管理有限公司) ("Hainan Aerospace") decided to withdraw from the development project of the Complex Zone of the Launching Site in Hainan Province. The business of internet of things determined that cross-border e-commerce logistics as well as warehouse and logistics would be the two new major business development directions.

#### Hi-tech Manufacturing

In 2016, in the face of several adverse factors including complicated economic situation, the downturn of overseas consumption markets, the continued increase in the costs of raw materials and labour, and the decrease of orders from several major customers, the hi-tech manufacturing business underwent many challenges. However, through active market development, adjustment in cost structure and lowering the cost, the hi-tech manufacturing business managed to grow steadily. The turnover of the hi-tech manufacturing business for the year was HK\$2,843,681,000 (2015: HK\$2,731,794,000), representing an increase of 4.10% as compared with last year; the operating profit was HK\$306,068,000 (2015: HK\$275,333,000), representing an increase of 11.16% as compared with last year.

The business of the printed circuit board ("PCB") business is the relative outperformer among the hi-tech manufacturing businesses. With the experience gained in technologies such as surface finishing, fine circuit, embedded devices and mix of rigid and flexible boards, the PCB business established a stronger competitiveness, and achieved a certain extent of outcome in market development in sectors like optoelectronics, camera, security and carrier. It had also completed the construction of factory expansion for high-density circuit board, and the first phase of equipment introduction and trial production. The liquid crystal display ("LCD") business allocated its resources timely and appropriately in response to the request of major customers, and hence gained their trustworthiness. There was also achievement in the development of domestic market for the LCD business, and the business has successfully entered the market of electric meter.

The plastic product business was being affected by the relocation of the production base by several Japanese customers, and their orders were reduced correspondingly. The task on developing the domestic market in mainland China is getting better, the overall market of the office equipment is relatively stable, while the plastic products from the newly developed high-end audio equipment and auto parts become new segments for business growth. The decrease in the number of orders from major customers, and the stricter policy requirements in environmental protection and consumption tax from the government are factors that led to the decline in the performance of the battery business. For the intelligent charger business, it is currently focusing on developing five main product categories, namely the charger, the lithium battery charger, the mobile power pack, the Ni-MH charger and the intelligent remote control, and is gradually developing from low-power battery products to medium-power in order to broaden the market. The lithium battery charger for electronic tools and electronic bikes will be the target products of the intelligent charger business. The product structure of the electroplating business expands from electro-digital products to auto parts products and home appliances products. The newly completed electroplating factory in Boluo, Huizhou will enhance and innovate the electroplating technology, which includes the enhancement for the simple external appearance technology to new industrial technology in the integration of externals appearance and function, and in the meantime, the factory develops diversified types of electroplating (such as the colour diversification of pearl nickel), and thus increase the market competitiveness significantly.

### **Shenzhen Aerospace Science & Technology Plaza**

With the completion of Shenzhen Aerospace Science & Technology Plaza, the function of Shenzhen Aerospace Technology Investment Company Limited\* (深圳市航天高科投資管理有限公司) (“Shenzhen Aerospace”) was switched from project construction to operation management. In 2016, the construction and inspection of the Shenzhen Aerospace Science & Technology Plaza was completed, its property management company commenced the property management and services and achieved tenant leasing following its property management team recruitment. During the year, Shenzhen Aerospace borrowed an operating properties mortgage loan from a connected person, Aerospace Science & Technology Finance Company Limited\* (航天科技財務有限責任公司), so as to repay the outstanding balance of the existing syndicate loan. The connected transaction was approved by independent shareholders of the Company at the extraordinary general meeting held in October 2016. Shenzhen Aerospace recorded rental and property management incomes for the first time upon the completion of Shenzhen Aerospace Science & Technology Plaza. Its income and operating profits, including fair value gain of investment properties, of HK\$163,943,000 and HK\$1,523,913,000 respectively, were recorded. Shenzhen Aerospace Science & Technology Plaza will provide a new source of income for the Company and that significantly strengthens the cashflow of the Company and its subsidiaries. As at the end of 2016, Shenzhen Aerospace Science & Technology Plaza was valued at approximately RMB7,345,000,000 (2015: RMB5,777,000,000).

### **The Complex Zone of the Launching Site in Hainan Province**

With the effects brought by the changes on the austerity measures, the increase in demolition and relocation settlement standards and the developing costs increased substantially in recent years, causing the risks increased with respect to the development of the Complex Zone of the Launching Site in Hainan Province and the benefit on return diminishes gradually. After a careful study, Hainan Aerospace, a joint venture, had decided to withdraw from the development of the Complex Zone of the Launching Site in Hainan Province, and initiated a dialogue with the Provincial Government of Hainan and the Municipal Government of Wenchang, trying to have the funds injected, which will refer to the audited project costs, to be returned to Hainan Aerospace in the form of cash and assets. Hainan Aerospace will be in its best effort to reach an agreement with the Municipal Government of Wenchang.

### **Internet of Things and Cross-border E-commerce Logistics**

In 2016, Aerospace Digitnexus Information Technology (Shenzhen) Limited\* (航天數聯信息技術(深圳)有限公司) (“Aerospace Digitnexus”) determined that cross-border e-commerce logistics as well as warehouse and logistics would be the two major business development directions. In cooperation with the export parcel mail branch of China Post in Shenzhen, Aerospace Digitnexus established a cross-border channel, of which a customs clearance centre in Kaiping will act as the core to consummate the cross-border import service, providing efficient and convenient professional services including clearance, warehouse and logistics to cross-border e-commerce business. In April 2016, Kaiping Cross-border E-commerce Express Mail Clearance and Sorting Centre\* (開平市跨境電子商務快件清關分揀中心) (“Kaiping Clearance Centre”) commenced clearance services, providing the transshipment, clearance and delivery services of cross-border express mail for the

customers. The clearance volume of Kaiping Clearance Centre increases steadily from 500 mails per day during the initial stage to the current daily peak volume of 11,000 mails, and that had handled the declaration and clearance for more than 800,000 express mails in 2016. It possesses the functions of business-to-consumer (B2C), consumer-to-consumer (C2C), business express mails and so forth, and has become the port in Southern China with the most comprehensive qualifications.

In reliance on the internet of things intelligent application platform, Aerospace Digitnexus performs the research and development, production and sales of related products, and provides system solutions that are mainly applied in sectors such as warehouse and logistics. In 2016, the sales from major customers had been increased beyond expectation, the turnover amounted to HK\$75,001,000, representing an increase of 141.96% as compared with that of HK\$30,997,000 for 2015. Aerospace Digitnexus achieved turning loss into profit, with a profit of HK\$7,134,000 during the year (2015: a loss of HK\$46,823,000).

## **PROSPECTS**

Looking forward, an improvement in the global economic growth is expected in 2017, but the risk that may bring by uncertainties still exists. With initial observation, the policies implemented by the U.S. after President Donald Trump took office are all helpful in boosting the economic growth, whereas there are evident signs on the stabilization of China economy. The stable performance from the two large economies, China and the U.S., will support the global economic development, and the economy of Hong Kong will benefit from it. However, the economy of China is in the crucial stage of structural transition and upgrade, at the same time the global economy is being confined to low growth pattern, and factors including the rate hike in the U.S., the commencement of negotiation about the Brexit, the potential of the implementation of trade protectionism by the U.S. President Donald Trump, and the elections in France, Germany and Netherlands may bring uncertainties to the peripheral economic conditions. The Company will adhere to the principles of prudent operation and stringent risk control, at the same time proactively pushing forward the progress of various tasks.

In terms of hi-tech manufacturing, the plastic products business will strengthen the marketing magnitude in Hong Kong and China, enhance efforts in technological upgrade and maintain a strong competitiveness. The electroplating products business based in Boluo will promote to install new electroplating lines, widen product types and expand the production capacity. The wireless charging and large-power battery products are the target markets of the intelligent charger business, and the business will accelerate the research and development of core technologies of battery products, enhance the market competitiveness by catering to the satisfaction for the demand of the customers. For printed circuit board business, more resources will be allocated to production lines of high-density PCB, rigid PCB, flexible PCB and surface-mount technology, etc., and it will emphasis on developing the markets of package substrate, auto electronic board, camera module, optoelectronics application and security, in order to expand the market segments. The LCD business will optimize its customer structure, strive for more new customers, and develop the high-end communication and electric meter market.

The project inspection, settlement of accounts and final accounts will be completed by Shenzhen Aerospace in 2017. The quality of the property management services will also be enhanced. Shenzhen Aerospace will monitor the property leasing and will explore more sources for operating incomes.

Aerospace Digitnexus will proactively launch the clearance services for B2C, C2C and C types express mails, and will strive to reach the target for annual clearance volume of 1.5 million mails. At the same time, it will develop the import and export supervised warehouse and bonded warehouse business, and will ensure the smooth launching of projects including automated stereoscopic warehouse.

2017 is the crucial year on implementing the development planning of the 13th Five-Year Plan. The Company will achieve transformation and upgrade of hi-tech manufacturing through enhanced efforts in research and development and technological upgrade. The Company will enhance itself as the internationalization platform for China Aerospace Science & Technology Corporation (“China Aerospace”) to expand international businesses and initiate international cooperation while seeking new business opportunities, and will proactively identify and develop investment projects with promising prospects which are in line with the national strategic policy of emerging industries and capture China Aerospace’s resources advantages. With the great support from China Aerospace, the Company expects it would comprehensively push forward the progress of its projects, thereby maximizing the investment values of and returns to the shareholders.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **RESULTS PERFORMANCE**

The audited turnover of the Company and the subsidiaries for the year ended 31 December 2016 was HK\$3,087,848,000, representing an increase of 11.65% as compared with that of HK\$2,765,720,000 for 2015. The profit of this year was HK\$1,203,252,000, representing a decrease of 26.01% as compared with that of HK\$1,626,323,000 for 2015.

### **PROFIT ATTRIBUTABLE TO THE OWNERS OF THE COMPANY**

Profit attributable to the owners of the Company was HK\$796,108,000, representing a decrease of 19.15% as compared with that of HK\$984,696,000 for 2015.

The increase in turnover was mainly due to the improvement of performance in hi-tech manufacturing and cross-border e-commerce logistics, and the rental income and property management income of Shenzhen Aerospace Science & Technology Plaza was recorded for the first time. The decrease in profit attributable to the owners was mainly due to the substantial decrease in fair value gain of Shenzhen Aerospace Science & Technology Plaza upon its completion in June 2016.

Based on the issued share capital of 3,085,022,000 shares during the year, the basic earnings per share was HK25.81 cents, representing a decrease of 19.14% as compared with that of HK31.92 cents for 2015.

### **DIVIDENDS**

The Board proposed the distribution of 2016 final dividend of HK2 cents per share in March 2017, subject to the approval by shareholders at the Annual General Meeting to be held on 31 May 2017. If approved, warrants of which will be dispatched to all shareholders on or about 28 June 2017.

The distribution of 2015 final dividend of HK1 cent per share was approved by shareholders at the Annual General Meeting in May 2016 and warrants of which were dispatched to all shareholders on 22 June 2016.

### **RESULTS OF CORE BUSINESSES**

The core businesses of the Company and the subsidiaries are hi-tech manufacturing, internet of things and cross-border e-commerce logistics, and the operation of Shenzhen Aerospace Science & Technology Plaza. The turnover of the hi-tech manufacturing is the main source of the Company's turnover and that contributes a significant profit and cash flow. This enables the Company to fulfill gradual development of new businesses, such as having turned the property construction of Shenzhen Aerospace Science & Technology Plaza into asset management, so as to achieve the Company's new development target and minimize individual business risk.

#### **Hi-tech manufacturing**

In 2016, global macroeconomic downturn and sluggish demands both at home and abroad had resulted in continuous depreciation of various foreign currencies by major countries to promote export. Meanwhile, the manufacturing industry in the mainland China witnessed an obvious accelerated slowdown and continuous rise in labour costs, manufacturers therefore experienced excess capacities and extremely intense price competition. Under such circumstances, certain businesses under hi-tech manufacturing was also affected significantly with a decrease in orders or the need to offer discounts to retain customers, which led to a decrease in profits. Further, the technological development cannot follow the pace of market needs resulting from rapid market changes and cannot enhance the products' quality on time. Some customers even shifted the manufacturing of OEM products back to their homelands or other regions, making market development extremely difficult.

During the year, hi-tech manufacturing strengthened investment in technology innovation and automation in production, having introduced advanced equipments and underwent business transformation. Within which, the construction of high precision PCB factory was completed. Besides, equipments were brought in and trial production was finished at the end of 2016, productivity is expected to be raised in 2017. The business of intelligent chargers developed medium power battery products while the business of plastic products renewed equipments and expanded the electroplating products in vehicle accessories and household appliances.

The turnover of the hi-tech manufacturing businesses for the year ended 31 December 2016 was HK\$2,843,681,000, representing an increase of 4.10% as compared with last year; the operating profit was HK\$306,068,000, representing an increase of 11.16% as compared with last year. The results of the hi-tech manufacturing business are shown below:

	Turnover (HK\$'000)			Operating Profit (HK\$'000)		
	2016	2015	Changes (%)	2016	2015	Changes (%)
Plastic Products	<b>1,111,678</b>	1,013,162	9.72	<b>79,375</b>	73,304	8.28
Printed Circuit Boards	<b>678,919</b>	601,994	12.78	<b>133,525</b>	109,436	22.01
Intelligent Chargers	<b>516,356</b>	621,842	(16.96)	<b>37,717</b>	42,295	(10.82)
Liquid Crystal Display	<b>521,174</b>	480,553	8.45	<b>40,969</b>	32,719	25.21
Industrial Property Investment	<b>15,554</b>	14,243	9.20	<b>14,482</b>	17,579	(17.62)
<b>Total</b>	<b><u>2,843,681</u></b>	<b><u>2,731,794</u></b>	4.10	<b><u>306,068</u></b>	<b><u>275,333</u></b>	11.16

Looking forward to 2017, the competition in the electronic information industry will remain intense. The hi-tech manufacturing strives to explore markets of high end products, continue to put effort in the research and development of new products and market development, raise automation in production, expand in scale and capacity of production, and in the meantime, strives to reduce inventory and receivables, establish and reach the target of market diversification soon so as to maintain stable business and sustained development, explore business by ways of merger and acquisition or cooperation etc., in order to ensure a continuous and stable growth of the hi-tech manufacturing.

#### **The Complex Zone of the Launching Site in Hainan Province**

In 2016, the loss of joint venture, Hainan Aerospace Investment Management Company Limited\* (海南航天投資管理有限公司) (“Hainan Aerospace”), attributable to the Company amounted to HK\$29,634,000. Hainan Aerospace had decided to withdraw from the land development project of the Complex Zone of the Launching Site in Hainan Province as a result of, including but not limited to, the austerity measures, the changes in government compensation standard, the substantial increase in construction costs and so on in recent years which may bring to Hainan Aerospace a stability risk if the development of Hainan project is continued. Hainan Aerospace commenced to negotiate with the Provincial Government of Hainan and the Municipal Government of Wenchang. The consideration will refer to the audited project costs and will be settled by cash and assets, and the terms of which are subject to both parties’ confirmation. In 2017, Hainan Aerospace will continue to negotiate with the Provincial Government of Hainan and the Municipal Government of Wenchang, so as to strive for finalization of the agreement terms and to execute an agreement as early as possible. Detail of which please refer the Company’s announcement published on 8 March 2017.

On 1 July 2016, CASIL New Century Technology Development (Shenzhen) Company Limited\* (航科新世紀科技發展(深圳)有限公司) (“New Century”), a wholly-owned subsidiary of the Company, entered into a loan agreement with Hainan Aerospace. Pursuant to which New Century will provide a loan, with a maturity on 30 June 2018, in the sum of RMB45,000,000 to Hainan Aerospace for its working capital. The outstanding balance of the loan was RMB25,000,000 as at 31 December 2016. Detail of which please refer the Company’s announcement published on 4 July 2016.

#### **Shenzhen Aerospace Science & Technology Plaza**

In 2016, Shenzhen Aerospace Technology Investment Company Limited\* (深圳市航天高科投資管理有限公司) (“Shenzhen Aerospace”) completed all the construction works of Shenzhen Aerospace Science & Technology Plaza, and started launching business promotion and leasing. Shenzhen Aerospace Technology Property Management Company Limited\* (深圳市航天高科物業管理有限公司), its wholly-owned subsidiary, had taken over and commenced the property management of Shenzhen Aerospace Science & Technology Plaza on 1 January 2016 and recorded a turnover of RMB15,306,000 and operating profits of RMB1,324,000. From 2017, the work of Shenzhen Aerospace has changed from property construction to asset management, and its rental income will contribute as a consistent and stable revenue and cash flow to the Company.

On 30 August 2016, Shenzhen Aerospace entered into a Facility Agreement with Aerospace Science & Technology Finance Company Limited\*(航天科技財務有限責任公司) (“Aerospace Finance”) in respect of a RMB1,300,000,000 facility for a period of 12 years and a provision of a portion of the Shenzhen Aerospace Science & Technology Plaza with a valuation amount of approximately RMB1,900,000,000 as mortgage. The connected transaction was approved by independent shareholders of the Company at the extraordinary general meeting held in October 2016. Details of which please refer to the announcements of the Company made on 30 August 2016 and 7 October 2016, and the circular made on 14 September 2016.

Shenzhen Aerospace recorded a fair value gain of investment property of HK\$1,402,000,000 in 2016. As at 31 December 2016, Shenzhen Aerospace Science & Technology Plaza was valued at approximately RMB7,345,000,000.

### Internet of Things and Cross-border E-commerce Logistics

In 2016, Aerospace Digitnexus Information Technology (Shenzhen) Limited\* (航天數聯信息技術(深圳)有限公司) (“Aerospace Digitnexus”) recorded a turnover of HK\$75,001,000 and an operating profit of HK\$7,134,000. During the year, except for continued to maintain and complete the prevailing projects of internet of things, Aerospace Digitnexus completed the establishment of a sorting and customs clearance centre in Kaiping and commenced its operations, and continued to develop an e-commerce logistics service platform. In 2017, Aerospace Digitnexus will continue to put effort in optimizing its product techniques, and doing well on the development in internet of things applications and cold-chain logistics warehouse management while integrating with mature products in the market and form market influence speedily in order to strive to realize profit as soon as possible.

The Company, through its direct wholly-owned subsidiary, Digilink Systems Limited, increased capital in its direct wholly-owned subsidiary, Aerospace Digitnexus, a sum of Hong Kong dollars in equivalent to RMB20,000,000, whereas Shenzhen Yuan Heng Fu Bang Investment Partnership Enterprise (Limited Partnership)\* (深圳市元亨富邦投資合夥企業(有限合伙)) (“Yuan Heng Fu Bang”), an independent third party, invested a sum of Hong Kong dollars in equivalent to RMB25,000,000 in Aerospace Digitnexus, and all the procedures are completed. The Company’s indirect interest in Aerospace Digitnexus is reduced from 100% to 72.128% and that of Yuan Heng Fu Bang is 27.872%. Detail of which please refer to the Company’s announcement published on 20 July 2016.

### ASSETS

(HK\$'000)	31 December 2016	31 December 2015	Changes (%)
Non-Current Assets	<b>10,463,151</b>	8,981,919	16.49
Current Assets	<b>2,321,425</b>	2,993,724	(22.46)
<b>Total Assets</b>	<b>12,784,576</b>	11,975,643	6.75

The increase in non-current assets was mainly due to an increase in the input of construction cost and the fair value of investment properties, whereas the decrease in current assets was mainly due to the payment to suppliers, and the principal repayment and interest payment of bank loans and so on, resulting in a decrease in bank deposits. The equity attributable to shareholders of the Company was HK\$6,190,158,000, representing an increase of 8.49% as compared with that of HK\$5,705,770,000 as at 31 December 2015. Based on the issued share capital of 3,085,022,000 shares during the year, the net assets per share attributable to shareholders of the Company was HK\$2.01.

As at 31 December 2016, a cash deposit of the Company and the subsidiaries of HK\$6,158,000 had been pledged to banks to obtain credit facilities. As to the mortgage of part of Shenzhen Aerospace Science & Technology Plaza at value of approximately RMB1,900,000,000 by Shenzhen Aerospace to Aerospace Finance, which will be performed once the application of property right certificates is completed.

### LIABILITIES

(HK\$'000)	31 December 2016	31 December 2015	Changes(%)
Non-Current Liabilities	<b>3,166,056</b>	2,278,002	38.98
Current Liabilities	<b>1,643,386</b>	2,494,379	(34.12)
<b>Total Liabilities</b>	<b>4,809,442</b>	4,772,381	0.78



Shenzhen Aerospace had entered into a loan of RMB1,300,000,000 with Aerospace Finance in 2016 for the repayment of a syndicated loan, and the outstanding loan amount was RMB509,100,000 as at 31 December 2016.

The increase in non-current liabilities was mainly due to the increase of deferred tax and the drawdown of a term loan, whereas the decrease in current liabilities was mainly due to the repayment of a syndicated loan. As at 31 December 2016, the Company and the subsidiaries had bank and other borrowings of HK\$1,152,334,000.

### **OPERATING EXPENSES**

The administrative expenses of the Company and the subsidiaries in 2016 were HK\$312,660,000, representing an increase of 1.79% as compared with last year. The finance costs amounted to HK\$87,638,000, of which HK\$34,198,000 had been capitalized and recorded as the construction cost of Shenzhen Aerospace Science & Technology Plaza.

### **CONTINGENT LIABILITIES**

As at 31 December 2016, the Company and the subsidiaries did not have any other material contingent liabilities.

### **FINANCIAL RATIOS**

	<b>2016</b>	<b>2015</b>
Gross Profit Margin	<b>25.63%</b>	20.26%
Return on Net Assets	<b>15.09%</b>	22.58%

  

	<b>31 December 2016</b>	<b>31 December 2015</b>
Assets- Liabilities Ratio	<b>37.62%</b>	39.85%
Current Ratio	<b>1.41</b>	1.20
Quick Ratio	<b>1.25</b>	1.10

### **LIQUIDITY**

The source of funds of the Company and the subsidiaries mainly relies on internal resources and banking facilities. As at 31 December 2016, the free cash and bank balance amounted to HK\$1,150,271,000, the majority of which were in Hong Kong Dollars and Renminbi.

### **CAPITAL EXPENDITURE AND INVESTMENT COMMITMENT**

As at 31 December 2016, the capital commitments of the Company and the relevant subsidiaries contracted for but not provided in the consolidated financial statements was HK\$73,845,000, mainly for the acquisition of fixed assets.

### **FINANCIAL RISKS**

The Company and the subsidiaries review the cash flow and financial position periodically and do not presently engage into any financial instruments or derivatives to hedge the exchange and the interest rate risks.

### **HUMAN RESOURCES AND REMUNERATION POLICIES**

The remuneration policy of the Company and the subsidiaries is based on the employee's qualifications, experience and performance on the job, with reference to the current market situation. The Company and the subsidiaries will continue to upgrade the human resources management skills and strictly implement the performance-based appraisal system, in order to motivate employees to make continuous improvement in their individual performance and contributions to the Company.

As at 31 December 2016, the Company and the subsidiaries had a total of approximately 6,600 employees based in the mainland and Hong Kong respectively.

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

There had been no purchase, sale or redemption of the Company's listed securities by the Company and its subsidiaries during the year.

## **CORPORATE GOVERNANCE**

During 2016, the Company had complied with the provisions of the *Corporate Governance Code and Corporate Governance Report* as set out in Appendix 14 of the Listing Rules.

## **DIRECTORS' AND EXECUTIVE'S INTERESTS IN SHARES**

The Company had adopted the *Model Code for Securities Transactions by Directors of Listed Issuers* as set out in Appendix 10 of the Listing Rules as the required standard for the Directors of the Company to trade the securities of the Company. Having made specific enquiry to all the Directors of the Company and in accordance with information provided, all the Directors have complied with the provisions under the Model Code in 2016.

As at 31 December 2016, save for Mr Zhang Jianheng, Mr Mao Yijin and Mr Xu Liangwei, the Directors of the Company, are the officers of the substantial shareholder of the Company, China Aerospace Science & Technology Corporation and its subsidiaries, none of the directors, chief executives or their associates have any beneficial or non-beneficial interests or short positions in the share capital, warrants and options of the Company or its subsidiaries or any of its associated corporations which is required to be recorded in the Register of Directors' Interests pursuant to Part XV of the Securities & Futures Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the *Model Code for Securities Transactions by Directors of Listed Issuers*.

## **AUDIT COMMITTEE**

In 2016, the Audit Committee of the Company comprises Mr Luo Zhenbang (Chairman) and Ms Leung Sau Fan, Sylvia, both being Independent Non-Executive Directors, and Mr Mao Yijin (appointed on 24 August 2016) and Mr Shi Weiguo (resigned on 24 August 2016), both being Non-Executive Directors. The major functions of the Audit Committee include serving as a focal point for communication between the Directors and external auditor, reviewing the Company's financial information as well as overseeing the Company's financial reporting system, risk management and internal control procedures.

The Audit Committee also reviewed, discussed and approved the financial statements for the year ended 31 December 2016.

## **REMUNERATION COMMITTEE**

In 2016, the Remuneration Committee comprises Ms Leung Sau Fan, Sylvia (Chairman) and Mr Wang Xiaojun, both being Independent Non-Executive Directors, and Mr Xu Liangwei (appointed on 24 August 2016) and Mr Chen Xuechuan (resigned on 24 August 2016), both being Non-Executive Directors. The Remuneration Committee takes the role of advisory and proposes to the Board on the emoluments of the Directors and senior management with regard to the operating results of the Company, the individual performance and the comparable market information.

## **NOMINATION COMMITTEE**

In 2016, the Nomination Committee comprises Mr Zhang Jianheng (Chairman), Mr Xu Liangwei (appointed on 24 August 2016) and Mr Chen Xuechuan (resigned on 24 August 2016), all being Non-Executive Directors, and Mr Luo Zhenbang, Ms Leung Sau Fan, Sylvia and Mr Wang Xiaojun, all being Independent Non-Executive Directors. Main functions of the Nomination Committee are to review the structure and size of the Board in order to implement the Company's strategy.

## **DIVIDEND**

The Board has recommended a final dividend of HK2 cents per share for the year ended 31 December 2016 (2015: HK1 cent) payable to the shareholders of the Company whose names appear on the Register of Members of the Company on Thursday, 8 June 2017.

## STATEMENT OF COMPLIANCE

The financial information relating to the years ended 31 December 2015 and 2016 included in the Announcement does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 to the Hong Kong Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2016 to the Hong Kong Registrar of Companies in due course.

The Company's auditor has reported on the financial statements of the Company and its subsidiaries for both years ended 31 December 2015 and 2016. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

## ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Wednesday, 31 May 2017. Notice of which will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company and dispatched to the shareholders of the Company in such manner as required under the Listing Rules.

## CLOSURE OF REGISTER OF MEMBERS

To ensure shareholders the right to attend and vote at the Annual General Meeting and to qualify for the distribution of final dividend, the Register of Members of the Company will be closed and details of which are as follows:

(1) To ensure shareholders the right to attend and vote at the Annual General Meeting:

Latest time for lodging transfers of shares and related documents for registration	4:30 p.m. on Wednesday, 24 May 2017
Closure of Register of Members	from Thursday, 25 May 2017 to Wednesday, 31 May 2017 (both days inclusive)
Record Date	Wednesday, 31 May 2017

(2) To ensure Shareholders the right to qualify for the distribution of final dividend:

Latest time for lodging transfers of shares and related documents for registration	4:30 p.m. on Monday, 5 June 2017
Closure of Register of Members	from Tuesday, 6 June 2017 to Thursday, 8 June 2017 (both days inclusive)
Record Date	Thursday, 8 June 2017

The Register of Members of the Company will be closed at the abovementioned periods. To ensure shareholders the right to attend and vote at the Annual General Meeting and to qualify for the distribution of final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration on or before 4:30 p.m. on Wednesday, 24 May 2017 and Monday, 5 June 2017 respectively. Subject to approval by the shareholders at the Annual General Meeting, dividend warrants are expected to be despatched to the shareholders by post on or around Wednesday, 28 June 2017.

## APPRECIATION

On behalf of the Board, I would like to extend my highly praised respect and heartfelt gratitude to Mr Zhang Jianheng for his outstanding contributions to the Company's development during his tenure of services as Chairman, and heartfelt gratitude to Mr Chen Xuechuan and Mr Shi Weiguo for their contributions to the Company during their tenure of services as Non-Executive Directors.

I also express my profound gratitude to my fellow Directors and all staff of the Company for their dedication, loyal services and invaluable contributions. Grateful thanks are also due to shareholders, bankers, business partners and members of the public who have supported the Company's development all along.

By order of the Board,

**Gong Bo**

*Chairman*

Hong Kong, 28 March 2017

*At the date of this Announcement, the Board of Directors of the Company comprises:*

***Executive Directors***

Mr Li Hongjun (*President*)

Mr Jin Xuesheng

***Non-Executive Directors***

Mr Gong Bo (*Chairman*)

Mr Mao Yijin

Mr Xu Liangwei

***Independent Non-Executive Directors***

Mr Luo Zhenbang

Ms Leung Sau Fan, Sylvia

Mr Wang Xiaojun

\* *These PRC entities do not have English names, the English names set out herein are for identification purpose only.*