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## **CHIA TAI ENTERPRISES INTERNATIONAL LIMITED**

**正大企業國際有限公司**

*(Incorporated in Bermuda with limited liability)*

*(Stock Code: 3839)*

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020**

#### **CONSOLIDATED RESULTS**

The board of directors (the “Board”) of Chia Tai Enterprises International Limited (the “Company”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2020 as follows:

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

		<b>Year ended 31 December</b>	
		<b>2020</b>	<b>2019</b>
	<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>REVENUE</b>	4	<b>93,577</b>	105,042
Cost of sales		<u>(68,679)</u>	<u>(76,094)</u>
Gross profit		<b>24,898</b>	28,948
Other income, net	5	<b>3,438</b>	2,643
Selling and distribution costs		<b>(8,610)</b>	(9,123)
General and administrative expenses		<b>(14,994)</b>	(16,138)
Finance costs		–	–
Share of profits and losses of:			
Joint venture		<b>12,348</b>	11,616
Associate		<b>2,085</b>	1,917
		<u>19,165</u>	<u>19,863</u>
<b>PROFIT BEFORE TAX</b>	6	<b>19,165</b>	19,863
Income tax	7	<b>(1,162)</b>	(1,841)
		<u>18,003</u>	<u>18,022</u>
<b>PROFIT FOR THE YEAR</b>		<b>18,003</b>	18,022

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

		<b>Year ended 31 December</b>	
		<b>2020</b>	<b>2019</b>
	<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>PROFIT FOR THE YEAR</b>		<b>18,003</b>	18,022
<b>OTHER COMPREHENSIVE INCOME</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences related to translation of foreign operations		4,775	(1,071)
Share of other comprehensive income of:			
Joint venture		7,823	(1,383)
Associate		1,353	(258)
		<u>13,951</u>	<u>(2,712)</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>13,951</b>	(2,712)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>31,954</b>	15,310
<b>Profit attributable to:</b>			
Shareholders of the Company		16,255	15,800
Non-controlling interests		1,748	2,222
		<u>18,003</u>	<u>18,022</u>
<b>Total comprehensive income attributable to:</b>			
Shareholders of the Company		28,810	13,427
Non-controlling interests		3,144	1,883
		<u>31,954</u>	<u>15,310</u>
		<i>US cents</i>	<i>US cents</i>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b>	9		
Basic and diluted		<u>6.42</u>	<u>6.24</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December	
		2020	2019
<i>Note</i>		<i>US\$'000</i>	<i>US\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		88,652	74,705
Land lease prepayments		5,910	6,418
Investments in joint venture		120,963	100,792
Investments in associate		20,197	19,227
Other non-current assets		251	235
		<b>235,973</b>	<b>201,377</b>
<b>Total non-current assets</b>			
<b>CURRENT ASSETS</b>			
Inventories		27,423	23,868
Trade and bills receivables	10	19,725	20,502
Prepayments, deposits and other receivables		15,319	9,136
Cash and cash equivalents		32,258	37,774
		<b>94,725</b>	<b>91,280</b>
<b>Total current assets</b>			
<b>CURRENT LIABILITIES</b>			
Trade payables	11	8,923	4,651
Other payables and accruals		19,893	16,321
Bank borrowings		11,333	9,012
Income tax payables		1,564	1,023
		<b>41,713</b>	<b>31,007</b>
<b>Total current liabilities</b>			
<b>NET CURRENT ASSETS</b>		<b>53,012</b>	<b>60,273</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>288,985</b>	<b>261,650</b>

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

		<b>At 31 December</b>	
		<b>2020</b>	<b>2019</b>
	<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings		<b>9,169</b>	6,939
Other non-current liabilities		<b>25,872</b>	28,569
Deferred tax liabilities		<b>3,334</b>	3,729
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>38,375</b>	39,237
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>250,610</b>	222,413
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
<b>Equity attributable to shareholders of the Company</b>			
Issued capital	12	<b>25,333</b>	25,333
Reserves		<b>202,666</b>	173,856
		<hr/>	<hr/>
		<b>227,999</b>	199,189
<b>Non-controlling interests</b>		<b>22,611</b>	23,224
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>250,610</b>	222,413
		<hr/> <hr/>	<hr/> <hr/>

## NOTES

### 1. BASIS OF PREPARATION

The financial information set out in this announcement does not constitute the Group's annual consolidated financial statements for the year ended 31 December 2020, but is derived from those financial statements. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board ("IASB"). This financial information is presented in United States dollars ("US\$") and all values are rounded to the nearest thousand ("US\$'000") except when otherwise indicated.

### 2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

Amendments to IFRS 3	Amendments to IFRS 3 <i>Definition of a Business</i>
Amendments to IAS 1 and IAS 8	Amendments to IAS 1 and IAS 8 <i>Definition of Material</i>

The adoption of these new standards, amendments and interpretation has had no significant financial effect to the Group.

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

### 3. OPERATING SEGMENT INFORMATION

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

- the biochemical segment is mainly engaged in the manufacture and/or sale of chlortetracycline and other related products; and
- the industrial segment is engaged in trading of machinery and the manufacture and sale of automotive parts, through the Group's joint venture and associate.

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

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

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

All revenue from contracts with customers is recognised at the point in time when our customer obtains control of the promised goods, i.e. when products are delivered to the customers' premises for domestic sales or in accordance with the terms and conditions of sale for export sales. The major product line of the Group is the manufacture and/or sale of chlortetracycline and other related products in biochemical segment as disclosed in note 3(a).

Disaggregation of revenue from contracts with customers by geographical location of customers is disclosed in note 3(b)(i).

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

#### (a) Reportable operating segments

The following tables present revenue, profit or loss and certain assets, liabilities and expenditure information for the Group's reportable operating segments for the years ended 31 December 2020 and 2019.

#### Year ended 31 December 2020

	Biochemical operations <i>US\$'000</i>	Industrial operations <i>US\$'000</i>	Total <i>US\$'000</i>
<b>Segment revenue</b>			
Sales to external customers	<u>93,577</u>	<u>–</u>	<u>93,577</u>
<b>Segment results</b>			
The Group	7,136	(1,170)	5,966
Share of profits and losses of:			
Joint venture	–	12,348	12,348
Associate	<u>–</u>	<u>2,085</u>	<u>2,085</u>
	<u>7,136</u>	<u>13,263</u>	<u>20,399</u>
Reconciliation:			
Bank interest income			327
Unallocated head office and corporate expenses			<u>(1,561)</u>
Profit before tax			<u>19,165</u>
<b>Other segment information</b>			
Depreciation and amortisation	4,657	17	4,674
Capital expenditure*	<u>16,379</u>	<u>–</u>	<u>16,379</u>

\* Including additions to property, plant and equipment.

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

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

**At 31 December 2020**

	<b>Biochemical operations US\$'000</b>	<b>Industrial operations US\$'000</b>	<b>Total US\$'000</b>
<b>Segment assets</b>	<b>151,962</b>	<b>146,279</b>	<b>298,241</b>
Reconciliation: Unallocated corporate assets			<b>32,457</b>
Total assets			<b>330,698</b>
<b>Segment liabilities</b>	<b>54,218</b>	<b>23</b>	<b>54,241</b>
Reconciliation: Unallocated corporate liabilities			<b>25,847</b>
Total liabilities			<b>80,088</b>
<b>Other segment information</b>			
Investments in joint venture	–	<b>120,963</b>	<b>120,963</b>
Investments in associate	–	<b>20,197</b>	<b>20,197</b>



### 3. OPERATING SEGMENT INFORMATION (Continued)

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

Year ended 31 December 2019

	Biochemical operations US\$'000	Industrial operations US\$'000	Total US\$'000
<b>Segment revenue</b>			
Sales to external customers	105,042	–	105,042
<b>Segment results</b>			
The Group	8,380	(1,215)	7,165
Share of profits and losses of:			
Joint venture	–	11,616	11,616
Associate	–	1,917	1,917
	8,380	12,318	20,698
Reconciliation:			
Bank interest income			603
Unallocated head office and corporate expenses			(1,438)
Profit before tax			19,863
<b>Other segment information</b>			
Depreciation and amortisation	4,645	17	4,662
Capital expenditure*	19,851	–	19,851

\* Including additions to property, plant and equipment.

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

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

At 31 December 2019

	Biochemical operations <i>US\$'000</i>	Industrial operations <i>US\$'000</i>	Total <i>US\$'000</i>
<b>Segment assets</b>	<u>130,480</u>	<u>124,356</u>	<u>254,836</u>
Reconciliation:			
Unallocated corporate assets			<u>37,821</u>
Total assets			<u>292,657</u>
<b>Segment liabilities</b>	<u>49,267</u>	<u>38</u>	49,305
Reconciliation:			
Unallocated corporate liabilities			<u>20,939</u>
Total liabilities			<u>70,244</u>
<b>Other segment information</b>			
Investments in joint venture	–	100,792	100,792
Investments in associate	–	19,227	19,227

#### (b) Geographical information

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

	<b>Year ended 31 December</b>	
	<b>2020</b>	2019
	<i>US\$'000</i>	<i>US\$'000</i>
Mainland China	<b>36,723</b>	42,340
Asia Pacific (excluding mainland China)	<b>28,226</b>	28,485
North America	<b>10,994</b>	12,507
Europe	<b>7,983</b>	11,485
Elsewhere	<b>9,651</b>	10,225
	<u><b>93,577</b></u>	<u>105,042</u>

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

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

#### (b) Geographical information *(Continued)*

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

At 31 December 2020, 99% (2019: 99%) of the Group's non-current assets are located in mainland China.

### 4. REVENUE

Revenue 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 recognised within the scope of IFRS 15. All of the Group's revenue is from the biochemical segment.

### 5. OTHER INCOME, NET

An analysis of other income, net is as follows:

	Year ended 31 December	
	2020	2019
	US\$'000	US\$'000
Bank interest income	327	603
Government grants	1,456	1,354
Gain/(loss) on disposal of property, plant and equipment, net	43	(24)
Gain on disposal of land lease prepayments, net	69	–
Foreign exchange differences, net	(160)	500
Income from sale of trial production products, net	1,368	81
Others	335	129
	<u>3,438</u>	<u>2,643</u>

### 6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Year ended 31 December	
	2020	2019
	US\$'000	US\$'000
Cost of inventories sold	68,679	76,094
Depreciation of property, plant and equipment	4,526	4,492
Amortisation of land lease prepayments	148	170
Impairment of trade receivables, net	181	–
	<u>181</u>	<u>–</u>

## 7. INCOME TAX

No provision for Hong Kong profits tax has been made for the year as the Group did not generate any assessable profits in Hong Kong during the year (2019: nil).

Subsidiaries operating in the People's Republic of China ("PRC") are subject to income tax at the rate of 25% (2019: 25%) on their taxable income according to the PRC corporate income tax laws. In accordance with the relevant tax rules and regulations in the PRC, certain subsidiaries of the Group in the PRC enjoy income tax exemptions or reductions.

	Year ended 31 December	
	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Current – the PRC		
Charge for the year	1,569	1,938
Under-provision in prior years	8	47
Deferred	(415)	(144)
	<hr/>	<hr/>
Total tax expense for the year	<u>1,162</u>	<u>1,841</u>

## 8. DIVIDEND

The Board has resolved not to declare a dividend for the year ended 31 December 2020 (2019: nil).

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

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

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

	Year ended 31 December	
	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
<b>Earnings</b>		
Profit for the year attributable to shareholders of the Company, used in the basic earnings per share calculation	<u>16,255</u>	<u>15,800</u>

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

(Continued)

	Year ended 31 December	
	2020	2019
<b>Shares</b>		
Weighted average number of ordinary shares and convertible preference shares in issue during the year, used in the basic earnings per share calculation	<b><u>253,329,087</u></b>	<u>253,329,087</u>

As there were no potential dilutive ordinary shares during the years ended 31 December 2020 and 2019, the amount of diluted earnings per share is equal to basic earnings per share.

## 10. TRADE AND BILLS RECEIVABLES

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

	At 31 December	
	2020	2019
	US\$'000	US\$'000
60 days or below	<b>14,871</b>	15,054
61 to 180 days	<b>3,778</b>	4,276
Over 180 days	<b><u>1,076</u></b>	<u>1,172</u>
	<b><u>19,725</u></b>	<u>20,502</u>

## 11. TRADE PAYABLES

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

	At 31 December	
	2020	2019
	US\$'000	US\$'000
60 days or below	7,200	4,517
61 to 180 days	1,448	134
Over 180 days	275	–
	<u>8,923</u>	<u>4,651</u>

## 12. SHARE CAPITAL

	At 31 December	
	2020	2019
	US\$'000	US\$'000
<b>Authorised</b>		
<i>Ordinary shares:</i>		
787,389,223 shares (2019: 787,389,223 shares) of US\$0.1 each	78,739	78,739
<i>Convertible preference shares:</i>		
12,610,777 shares (2019: 12,610,777 shares) of US\$0.1 each	<u>1,261</u>	<u>1,261</u>
	<u>80,000</u>	<u>80,000</u>
<b>Issued and fully paid</b>		
<i>Ordinary shares:</i>		
240,718,310 shares (2019: 240,718,310 shares) of US\$0.1 each	24,072	24,072
<i>Convertible preference shares:</i>		
12,610,777 shares (2019: 12,610,777 shares) of US\$0.1 each	<u>1,261</u>	<u>1,261</u>
	<u>25,333</u>	<u>25,333</u>

There were no movements in the Company's issued ordinary shares and convertible preference shares during the years ended 31 December 2020 and 2019.

## 12. SHARE CAPITAL *(Continued)*

### *Notes:*

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

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

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **GROUP RESULTS**

The Group has two lines of business: biochemical business and industrial business. The biochemical business focuses on the manufacture and/or sale of chlortetracycline (“CTC”) and other related products and is carried on by Group subsidiaries. This business segment accounts for all of the Group’s consolidated revenue. The industrial business comprises the Group’s interests in its joint venture ECI Metro Investment Co., Ltd. (together with its subsidiaries, “ECI Metro”) and its associate Zhanjiang Deni Vehicle Parts Co., Ltd. (together with its subsidiaries, “Zhanjiang Deni”). The results of the Group’s industrial business are incorporated in the consolidated statement of comprehensive income as share of profits of joint venture and associate.

For the year ended 31 December 2020, the Group’s revenue decreased 10.9% to US\$93.58 million (2019: US\$105.04 million). Overall, gross profit margin was 26.6% (2019: 27.6%).

Profit attributable to shareholders of the Company grew 2.9% to US\$16.26 million (2019: US\$15.80 million).

Basic and diluted earnings per share were both US 6.42 cents (2019: US 6.24 cents). The Board has resolved not to declare a final dividend for the year ended 31 December 2020 (2019: Nil).

### **BUSINESS REVIEW**

#### **Biochemical**

We generate a sizable portion of our revenue from the manufacture and sale of CTC products – CTC Premix and CTC HCL. CTC products are antibiotics used to prevent or cure animal diseases. The Group’s customers include pharmaceutical companies, trading companies, feed mills and farms.

In 2020, the Group’s revenue from the biochemical business decreased 10.9% to US\$93.58 million (2019: US\$105.04 million). Revenue contribution from China, Asia Pacific (excluding China), North America, Europe and elsewhere were 39.2%, 30.2%, 11.8%, 8.5% and 10.3%, respectively.

For the year under review, our biochemical business faced multiple headwinds. For our overseas market, COVID-19 affected the demand for CTC products, causing order cancellations or delays. In China, the Ministry of Agriculture and Rural Affairs of the PRC banned the production of antibiotics for use as animal growth promoters as from 1 January 2020, reducing the domestic sales of our CTC products, as some of such sales were bought for such use in the past.



In 2020, pricing competition in the CTC industry intensified as a result of lower demand in China and overseas, putting pressure on our average selling price. Average selling price of CTC premix, our main revenue contributor, decreased by approximately 2.2% in 2020 when compared to 2019, and the average selling price of CTC HCL also declined 5.7%. Overall, gross profit margin reduced slightly from 27.6% in 2019 to 26.6% in 2020.

The Company previously announced the relocation of the production facilities of Zhumadian Huazhong Chia Tai Co., Ltd. (the “Relocation”). The relocation is to comply with Zhumadian’s urban development plans and is expected, at this stage, to be completed in the second half of 2021. A net gain attributable to shareholders of the Company of approximately US\$12.3 million, arising from government compensation, would be recorded upon completion of the Relocation.

## **Industrial**

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

ECI Metro is principally engaged in the sale, leasing and servicing of Caterpillar machinery equipment in western China. According to the National Bureau of Statistics of the PRC, fixed-asset investment growth in China was 2.9% in 2020 and that in western China itself was 4.4%. For the year ended 31 December 2020, our share of profits of joint venture was US\$12.35 million compared to US\$11.62 million in 2019.

Zhanjiang Deni is principally engaged in the manufacture and sale of automotive parts, which are mainly sold to automobile and motorcycle manufacturers. According to the China Association of Automobile Manufacturers, China motorcycle sales in 2020 was slightly down 0.4% year-on-year and automobile sales was 1.9% lower than 2019. For the year ended 31 December 2020, our share of profits of associate was US\$2.09 million (2019: US\$1.92 million).

## **OUTLOOK**

Uncertainties are expected to linger for the remainder of 2021. While there are positive developments on the vaccine front, the COVID-19 pandemic is likely to affect our biochemical business in overseas market in the short to medium term. The limitation on antibiotic use for animals around the world is also expected to broaden and affect our biochemical business.

For our industrial business, fixed-asset investment growth started to gradually recover in the second half of 2020 and is expected to continue into 2021. However, the Group also expects intense competition from domestic manufacturers in the construction machinery industry.

Overall, we remain cautious about our results in 2021.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2020, the Group had total assets of US\$330.7 million, an increase of 13.0% as compared to US\$292.7 million as at 31 December 2019.

As at 31 December 2020, the Group had net cash, being cash less bank borrowings, of US\$11.8 million (31 December 2019: US\$21.8 million).

All the borrowings of the Group are denominated in Renminbi (“RMB”) as at 31 December 2020 and 2019.

As at 31 December 2020, the Group’s fixed interest rate bank borrowings amounted to US\$7.7 million (31 December 2019: US\$2.9 million).

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

## **CAPITAL STRUCTURE**

The Group finances its working capital requirements through a combination of funds generated from operations and borrowings. The Group had cash and cash equivalents of US\$32.3 million as at 31 December 2020, a decrease of US\$5.5 million compared to US\$37.8 million as at 31 December 2019.

## **CHARGES ON GROUP ASSETS**

As at 31 December 2020, out of the total borrowings of US\$20.5 million (31 December 2019: US\$16.0 million) obtained by the Group, US\$15.1 million (31 December 2019: US\$13.1 million) was secured and accounted for 73.5% (31 December 2019: 82.0%) of the total borrowings. Certain of the Group’s property, plant and equipment and land lease prepayments with an aggregate net book value of US\$11.3 million (31 December 2019: US\$11.0 million) were pledged as security.

## **CONTINGENT LIABILITIES**

As at 31 December 2020, the Group did not have any significant contingent liabilities.

## **EMPLOYEE AND REMUNERATION POLICIES**

As at 31 December 2020, the Group employed around 900 employees in the PRC and Hong Kong. The Group remunerates its employees based on their performance, experience and prevailing market conditions while performance bonuses are granted on a discretionary basis. Other employee benefits include, for example, medical insurance and training.

## **DIVIDEND**

The Board has resolved not to declare a dividend for the year ended 31 December 2020 (2019: nil).

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members holding ordinary shares of the Company will be closed from 8 June 2021 to 11 June 2021, both days inclusive, during which no transfer of ordinary shares of the Company will be registered. In order to ascertain shareholders' eligibility to attend and vote at the forthcoming annual general meeting of the Company to be held on 11 June 2021, all transfer forms for ordinary shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration before 4:30 p.m. on 7 June 2021.

## **CORPORATE GOVERNANCE CODE**

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

In the opinion of the Board, the Company has applied the principles and complied with the code provisions prescribed in the Corporate Governance Code and the disclosure requirements for Corporate Governance Report as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year 2020.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Code of Conduct for Securities Transactions, which is based on the required standards set out in Appendix 10 to the Listing Rules – Model Code for Securities Transactions by Directors of Listed Issuers, as the code of conduct for dealings in the Company's securities by its directors. In response to a specific enquiry made by the Company, all directors of the Company confirmed that they had complied with the required standard set out in the Code of Conduct for Securities Transactions during 2020.

## **REVIEW OF ANNUAL RESULTS**

The annual results have been reviewed by the audit committee of the Company. The financial figures in respect of the Group's consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2020, as set out in this announcement, have been compared by KPMG, Certified Public Accountants, to the amounts set out in the consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with HKSA, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the HKICPA and consequently no assurance has been expressed by KPMG on the results announcement.

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

During 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

Hong Kong, 23 February 2021

*As at the date of this announcement, the Board comprises Mr. Soopakij Chearavanont (chairman and non-executive director), Mr. Thirayut Phityaisarakul, Mr. Thanakorn Seriburi, Mr. Nopadol Chiaravanont, Mr. Chawalit Na Muangtoun (executive directors), Mr. Yoichi Ikezoe (non-executive director), Mr. Surasak Rounroengrom, Mr. Cheng Yuk Wo and Mr. Edward Ko Ming Tung (independent non-executive directors).*