

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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 2021**

#### **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 2021 as follows:

#### **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IN US\$'000)**

		<b>Year ended 31 December</b>	
		<b>2021</b>	<b>2020</b>
<b>REVENUE</b>	<i>Note</i> 4	<b>142,407</b>	93,577
Cost of sales		<b>(107,647)</b>	(68,679)
Gross profit		<b>34,760</b>	24,898
Other income, net	5	<b>2,171</b>	3,438
Gain on factory relocation	5	<b>18,610</b>	–
Selling and distribution costs		<b>(10,870)</b>	(8,610)
General and administrative expenses		<b>(18,922)</b>	(14,994)
Finance costs		<b>(648)</b>	–
Share of profits and losses of:			
Joint venture		<b>4,026</b>	12,348
Associate		<b>2,198</b>	2,085
<b>PROFIT BEFORE TAX</b>	6	<b>31,325</b>	19,165
Income tax	7	<b>(4,629)</b>	(1,162)
<b>PROFIT FOR THE YEAR</b>		<b>26,696</b>	18,003

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IN US\$'000)**  
*(Continued)*

		<b>Year ended 31 December</b>	
		<b>2021</b>	<b>2020</b>
	<i>Note</i>		
<b>Profit attributable to:</b>			
Shareholders of the Company			
Excluding gain on factory relocation		<b>8,532</b>	16,255
Gain on factory relocation		<b>11,032</b>	–
		<hr/>	<hr/>
		<b>19,564</b>	16,255
Non-controlling interests			
Excluding gain on factory relocation		<b>2,345</b>	1,748
Gain on factory relocation		<b>4,787</b>	–
		<hr/>	<hr/>
		<b>7,132</b>	1,748
		<hr/>	<hr/>
		<b>26,696</b>	18,003
		<hr/> <hr/>	<hr/> <hr/>
		<i>US cents</i>	<i>US cents</i>
 <b>EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b>	 9		
Basic and diluted			
Excluding gain on factory relocation		<b>3.37</b>	6.42
Gain on factory relocation		<b>4.35</b>	–
		<hr/>	<hr/>
		<b>7.72</b>	6.42
		<hr/> <hr/>	<hr/> <hr/>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IN US\$'000)**  
*(Continued)*

	<b>Year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
<i>Note</i>		
<b>PROFIT FOR THE YEAR</b>	<b>26,696</b>	18,003
<b>OTHER COMPREHENSIVE INCOME</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences related to translation of foreign operations	<b>2,266</b>	4,775
Share of other comprehensive income of:		
Joint venture	<b>3,393</b>	7,823
Associate	<b>558</b>	1,353
	<hr/>	<hr/>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>6,217</b>	13,951
	<hr/>	<hr/>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>32,913</b>	31,954
	<hr/> <hr/>	<hr/> <hr/>
<b>Total comprehensive income attributable to:</b>		
Shareholders of the Company		
Excluding gain on factory relocation	<b>14,028</b>	28,810
Gain on factory relocation	<b>11,032</b>	–
	<hr/>	<hr/>
	<b>25,060</b>	28,810
Non-controlling interests		
Excluding gain on factory relocation	<b>3,066</b>	3,144
Gain on factory relocation	<b>4,787</b>	–
	<hr/>	<hr/>
	<b>7,853</b>	3,144
	<hr/>	<hr/>
	<b>32,913</b>	31,954
	<hr/> <hr/>	<hr/> <hr/>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IN US\$'000)**

		<b>At 31 December</b>	
		<b>2021</b>	<b>2020</b>
	<i>Note</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>92,586</b>	88,652
Land lease prepayments		<b>5,755</b>	5,910
Investments in joint venture		<b>120,559</b>	120,963
Investments in associate		<b>21,838</b>	20,197
Other non-current assets		<b>–</b>	251
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>240,738</b>	235,973
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Inventories		<b>36,070</b>	27,423
Trade and bills receivables	10	<b>39,559</b>	19,725
Prepayments, deposits and other receivables		<b>17,756</b>	15,319
Cash and cash equivalents		<b>31,093</b>	32,258
		<hr/>	<hr/>
<b>Total current assets</b>		<b>124,478</b>	94,725
		<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>			
Trade payables	11	<b>13,279</b>	8,923
Other payables and accruals		<b>14,250</b>	19,893
Bank borrowings		<b>26,325</b>	11,333
Income tax payables		<b>5,301</b>	1,564
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>59,155</b>	41,713
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>65,323</b>	53,012
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>306,061</b>	288,985
		<hr/>	<hr/>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IN US\$'000)**  
*(Continued)*

		<b>At 31 December</b>	
		<b>2021</b>	2020
	<i>Note</i>		
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings		<b>16,287</b>	9,169
Other non-current liabilities		<b>2,370</b>	25,872
Deferred tax liabilities		<b>3,881</b>	3,334
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>22,538</b>	38,375
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>283,523</b>	250,610
		<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>227,726</b>	202,666
		<hr/>	<hr/>
		<b>253,059</b>	227,999
<b>Non-controlling interests</b>		<b>30,464</b>	22,611
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>283,523</b>	250,610
		<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 2021, but is derived from those financial statements. The 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 amendments may be relevant to the Group:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Amendments to IFRS 9 <i>Financial instruments</i> , IAS 39 <i>Financial instruments: Recognition and measurement</i> , IFRS 7 <i>Financial instruments: Disclosures</i> , IFRS 4 <i>Insurance contracts</i> and IFRS 16 <i>Leases</i> "Interest rate benchmark reform – phase 2"
--	--

None of the new standard, amendment or interpretation have had a 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 principally engaged in the manufacture and/or sale of chlortetracycline and other related products; and
- the industrial segment is principally engaged in the 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 2021 and 2020.

#### Year ended 31 December 2021

	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	142,407	–	142,407
<b>Segment results</b>			
The Group	28,665	(1,131)	27,534
Share of profits and losses of:			
Joint venture	–	4,026	4,026
Associate	–	2,198	2,198
	28,665	5,093	33,758
Reconciliation:			
Bank interest income			76
Finance cost			(648)
Unallocated head office and corporate expenses			(1,861)
Profit before tax			31,325
<b>Other segment information</b>			
Depreciation and amortisation	7,541	15	7,556
Capital expenditure*	13,515	–	13,515

\* Including additions to property, plant and equipment.



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

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

**At 31 December 2021**

	<b>Biochemical operations US\$'000</b>	<b>Industrial operations US\$'000</b>	<b>Total US\$'000</b>
<b>Segment assets</b>	<b>186,447</b>	<b>147,582</b>	<b>334,029</b>
Reconciliation: Unallocated corporate assets			<b>31,187</b>
Total assets			<b>365,216</b>
<b>Segment liabilities</b>	<b>29,123</b>	<b>39</b>	<b>29,162</b>
Reconciliation: Unallocated corporate liabilities			<b>52,531</b>
Total liabilities			<b>81,693</b>
<b>Other segment information</b>			
Investments in joint venture	–	<b>120,559</b>	<b>120,559</b>
Investments in associate	–	<b>21,838</b>	<b>21,838</b>

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

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

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	93,577	–	93,577
<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	–	2,085	2,085
	7,136	13,263	20,399
Reconciliation:			
Bank interest income			327
Unallocated head office and corporate expenses			(1,561)
Profit before tax			19,165
<b>Other segment information</b>			
Depreciation and amortisation	4,657	17	4,674
Capital expenditure*	16,379	–	16,379

\* Including additions to property, plant and equipment.

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

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

At 31 December 2020

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

#### (b) Geographical information

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

	<b>Year ended 31 December</b>	
	<b>2021</b>	2020
	<i>US\$'000</i>	<i>US\$'000</i>
Mainland China	<b>70,466</b>	36,723
Americas	<b>30,652</b>	17,209
Asia Pacific (excluding mainland China)	<b>27,110</b>	28,226
Europe	<b>7,623</b>	7,983
Elsewhere	<b>6,556</b>	3,436
	<u><b>142,407</b></u>	<u>93,577</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 2021, 99% (2020: 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	
	2021	2020
	US\$'000	US\$'000
Bank interest income	76	327
Government grants	1,260	1,456
Gain on disposal of property, plant and equipment, net	59	43
Gain on disposal of land lease prepayments, net	–	69
Foreign exchange differences, net	217	(160)
Income from sale of trial production products, net	–	1,368
Others	559	335
	<u>2,171</u>	<u>3,438</u>
Gain on factory relocation*	<u>18,610</u>	<u>–</u>
	<u><u>20,781</u></u>	<u><u>3,438</u></u>

\* In November 2016, Zhumadian Huazhong Chia Tai Co., Ltd., a subsidiary of the Company, entered into a relocation agreement (“The Relocation”) with the People's Government of Zhumadian City. The Relocation, as part of Zhumadian's urban development plans, was completed in July 2021. The gain on factory relocation was arising from government compensation.

## 6. PROFIT BEFORE TAX

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

	Year ended 31 December	
	2021	2020
	US\$'000	US\$'000
Cost of inventories sold	107,647	68,679
Depreciation of property, plant and equipment	7,409	4,526
Amortisation of land lease prepayments	147	148
Impairment of trade receivables, net	220	181
	<u>115,423</u>	<u>77,534</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 (2020: nil).

Subsidiaries operating in the People's Republic of China ("PRC") are subject to income tax at the rate of 25% (2020: 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	
	2021	2020
	US\$'000	US\$'000
Current – the PRC		
Charge for the year	3,963	1,569
Under-provision in prior years	100	8
Deferred	566	(415)
	<u>4,629</u>	<u>1,162</u>

## 8. DIVIDEND

The Board has resolved not to declare a dividend for the year ended 31 December 2021 (2020: 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:

	<b>Year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<i>US\$'000</i>	<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		
Excluding gain on factory relocation	<b>8,532</b>	16,255
Gain on factory relocation	<b>11,032</b>	–
	<b>19,564</b>	16,255
	<b>2021</b>	<b>2020</b>
<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>253,329,087</b>	253,329,087

As there were no potential dilutive ordinary shares during the years ended 31 December 2021 and 2020, 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	
	2021	2020
	US\$'000	US\$'000
60 days or below	22,244	14,871
61 to 180 days	11,824	3,778
Over 180 days	5,491	1,076
	<u>39,559</u>	<u>19,725</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	
	2021	2020
	US\$'000	US\$'000
60 days or below	12,331	7,200
61 to 180 days	647	1,448
Over 180 days	301	275
	<u>13,279</u>	<u>8,923</u>

## 12. SHARE CAPITAL

	At 31 December	
	2021	2020
	US\$'000	US\$'000
<b>Authorised</b>		
<i>Ordinary shares:</i>		
787,389,223 shares (2020: 787,389,223 shares) of US\$0.1 each	<b>78,739</b>	78,739
<i>Convertible preference shares:</i>		
12,610,777 shares (2020: 12,610,777 shares) of US\$0.1 each	<u>1,261</u>	<u>1,261</u>
	<b>80,000</b>	80,000
	<u><b>80,000</b></u>	<u>80,000</u>
<b>Issued and fully paid</b>		
<i>Ordinary shares:</i>		
240,718,310 shares (2020: 240,718,310 shares) of US\$0.1 each	<b>24,072</b>	24,072
<i>Convertible preference shares:</i>		
12,610,777 shares (2020: 12,610,777 shares) of US\$0.1 each	<u>1,261</u>	<u>1,261</u>
	<b>25,333</b>	25,333
	<u><b>25,333</b></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 2021 and 2020.



## 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 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.

Under our biochemical business, the previously announced relocation of the production facilities of Zhumadian Huazhong Chia Tai Co., Ltd. was completed in July 2021. This relocation was made to comply with Zhumadian’s urban development plans. As a result of the relocation, the Company recorded in 2021 a net gain on factory relocation attributable to shareholders of the Company of US\$11.03 million, arising from government compensation.

For the year ended 31 December 2021, the Group’s revenue increased 52.2% to US\$142.41 million (2020: US\$93.58 million). Overall, gross profit margin declined 2.2 percentage points year-on-year to 24.4% (2020: 26.6%).

Profit attributable to shareholders of the Company was US\$19.56 million. Excluding the one-off net gain on factory relocation of US\$11.03 million, the profit receded from US\$16.26 million in 2020 to US\$8.53 million in 2021, mainly due to a decrease in share of profit from ECI Metro.

Basic and diluted earnings per share were both US 7.72 cents (2020: US 6.42 cents). Excluding the one-off net gain on factory relocation, basic and diluted earnings per share were both US 3.37 cents (2020: US 6.42 cents). The Board has resolved not to declare a final dividend for the year ended 31 December 2021 (2020: 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. In the past few years, we have been strategically broadening our product portfolio to cover other related veterinary products. Of these new offerings, some we manufacture and sell, and some we source and trade. The Group’s major customers include farms, pharmaceutical companies, trading companies and feed mills.

In 2021, the Group's revenue from the biochemical business increased 52.2% to US\$142.41 million (2020: US\$93.58 million). Revenue contribution from China, the Americas, Asia Pacific (excluding China), and elsewhere was 49.5%, 21.5%, 19.0% and 10.0%, respectively.

For the year under review, despite multiple challenges at home and abroad, we recorded solid revenue growth, mainly due to an increase in domestic sales. In China, our CTC business remained stable. During the year, in response to the ban on the use of antibiotics as feed additives, the Group successfully shifted its key CTC customers from feed mills to farms. Furthermore, we actively explored sales of other related veterinary products. These products generated new business for the Group and were the key revenue growth driver in China.

For our overseas markets, the COVID-19 pandemic caused logistic issues and various animal diseases affected demand in certain parts of the world. Nonetheless, the marketing efforts we put in successfully resulted in increased overall overseas revenue. In particular, sales to North America increased significantly.

In 2021, the average selling price of CTC premix, our main revenue contributor, increased by 12.7% compared to 2020, and the average selling price of CTC HCL grew 2.8% year-on-year. However, rising raw material and energy costs outweighed upward adjustment in the selling prices of our products. Overall, gross profit margin reduced from 26.6% in 2020 to 24.4% in 2021.

## **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 4.9% in 2021 and that in western China was only 3.9%, slowest out of the four regions in China. Within fixed-asset investment, infrastructure investment only grew 0.4% compared to 2020. The sluggish industry environment and intensified competition from domestic manufacturers added pressure to both sales and margins. For the year ended 31 December 2021, our share of profit of joint venture reduced from US\$12.35 million in 2020 to US\$4.03 million in 2021.

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, automobile sales slightly increased 3.8% year-on-year and according to China Chamber of Commerce for Motorcycle, China motorcycle sales in 2021 was 12.7% higher than 2020. For the year ended 31 December 2021, our share of profit of associate was US\$2.20 million (2020: US\$2.09 million).

## **OUTLOOK**

Looking forward, new variants of COVID-19 and various animal diseases are expected to bring uncertainties to our biochemical business. For our industrial business, fixed-asset investment growth in 2022 is expected to hover at a low level and competition is likely to intensify for the remainder of the year. Overall, we expect 2022 to be a difficult year.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2021, the Group had total assets of US\$365.2 million, an increase of 10.4% as compared to US\$330.7 million as at 31 December 2020.

Net debt (31 December 2021: US\$11.5 million, 31 December 2020: net cash US\$11.8 million) to equity ratio (defined as total bank borrowings minus cash divided by total equity) was 0.04 as at 31 December 2021.

All the borrowings of the Group are denominated in Renminbi (“RMB”) as at 31 December 2021 and 2020.

As at 31 December 2021, the Group’s fixed interest rate bank borrowings amounted to US\$20.9 million (31 December 2020: US\$7.7 million).

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

## **CAPITAL STRUCTURE**

The Group finances its working capital requirements through a combination of funds generated from operations and borrowings. The Group had cash and cash equivalents of US\$31.1 million as at 31 December 2021, a decrease of US\$1.2 million compared to US\$32.3 million as at 31 December 2020.

## **CHARGES ON GROUP ASSETS**

As at 31 December 2021, out of the total borrowings of US\$42.6 million (31 December 2020: US\$20.5 million) obtained by the Group, US\$18.9 million (31 December 2020: US\$15.1 million) was secured and accounted for 44.4% (31 December 2020: 73.5%) 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\$10.8 million (31 December 2020: US\$11.3 million) were pledged as security.

## **CONTINGENT LIABILITIES**

As at 31 December 2021, the Group did not have any significant contingent liabilities.

## **EMPLOYEE AND REMUNERATION POLICIES**

As at 31 December 2021, the Group employed around 1,000 employees in the mainland China 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 2021 (2020: nil).

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members holding ordinary shares of the Company will be closed from 2 June 2022 to 8 June 2022, 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 8 June 2022, 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 1 June 2022.

## **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 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 2021.

## **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 2021.

## **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 2021, 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 2021, 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 2022

*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 (each an Executive Director), Mr. Yoichi Ikezoe (Non-executive Director), Mr. Surasak Rounroengrom, Mr. Cheng Yuk Wo and Mr. Edward Ko Ming Tung (each an Independent Non-executive Director).*