

*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 2018**

#### **CONSOLIDATED RESULTS**

The board of directors (the “Board”) of Chia Tai Enterprises International Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2018 as follows:

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

|                                     |             | <b>Year ended 31 December</b> |                 |
|-------------------------------------|-------------|-------------------------------|-----------------|
|                                     |             | <b>2018</b>                   | <b>2017</b>     |
|                                     | <i>Note</i> | <i>US\$’000</i>               | <i>US\$’000</i> |
| <b>REVENUE</b>                      | 4           | <b>93,362</b>                 | 74,466          |
| Cost of sales                       |             | <b>(66,108)</b>               | (52,422)        |
| Gross profit                        |             | <b>27,254</b>                 | 22,044          |
| Other income, net                   | 5           | <b>1,988</b>                  | 3,005           |
| Selling and distribution costs      |             | <b>(7,061)</b>                | (6,688)         |
| General and administrative expenses |             | <b>(17,208)</b>               | (14,743)        |
| Finance costs                       |             | –                             | (156)           |
| Share of profits and losses of:     |             |                               |                 |
| Joint venture                       |             | <b>17,966</b>                 | 13,348          |
| Associate                           |             | <b>1,875</b>                  | 2,259           |
| <b>PROFIT BEFORE TAX</b>            | 6           | <b>24,814</b>                 | 19,069          |
| Income tax                          | 7           | <b>(1,610)</b>                | (1,361)         |
| <b>PROFIT FOR THE YEAR</b>          |             | <b>23,204</b>                 | 17,708          |

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

|   | <b>Year ended 31 December</b> |                 |
|---|-------------------------------|-----------------|
|   | <b>2018</b>                   | 2017            |
| <i>Note</i>   | <i>US\$'000</i>               | <i>US\$'000</i> |
| <b>PROFIT FOR THE YEAR</b>  | <b>23,204</b>                 | 17,708          |
| <b>OTHER COMPREHENSIVE INCOME</b>                                     |                               |                 |
| Items that are or may be reclassified subsequently to profit or loss: |                               |                 |
| Exchange differences related to translation of foreign operations     | (4,248)                       | 4,529           |
| Share of other comprehensive income of:                               |                               |                 |
| Joint venture   | (5,359)                       | 4,756           |
| Associate   | (1,077)                       | 1,114           |
| Deregistration of a subsidiary  | —                             | 184             |
|   | <u>(10,684)</u>               | <u>10,583</u>   |
| <b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>                        |                               |                 |
|   | <u>(10,684)</u>               | <u>10,583</u>   |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>                        | <u><b>12,520</b></u>          | <u>28,291</u>   |
| <b>Profit attributable to:</b>  |                               |                 |
| Shareholders of the Company   | 21,164                        | 16,347          |
| Non-controlling interests   | 2,040                         | 1,361           |
|   | <u>23,204</u>                 | <u>17,708</u>   |
| <b>Total comprehensive income attributable to:</b>                    |                               |                 |
| Shareholders of the Company   | 11,783                        | 25,463          |
| Non-controlling interests   | 737                           | 2,828           |
|   | <u>12,520</u>                 | <u>28,291</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><b>8.35</b></u>            | <u>6.45</u>     |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|  |    | <b>At 31 December</b> |                 |
|--|----|-----------------------|-----------------|
|  |    | <b>2018</b>           | <b>2017</b>     |
| <i>Note</i>                                  |    | <i>US\$'000</i>       | <i>US\$'000</i> |
| <b>NON-CURRENT ASSETS</b>                    |    |                       |                 |
|  |    | <b>60,648</b>         | 49,762          |
|  |    | <b>6,475</b>          | 7,968           |
|  |    | <b>90,559</b>         | 77,952          |
|  |    | <b>18,880</b>         | 18,082          |
|  |    | <b>238</b>            | 252             |
|  |    | <hr/> <b>176,800</b>  | <hr/> 154,016   |
| <b>CURRENT ASSETS</b>                        |    |                       |                 |
|  |    | <b>13,213</b>         | 16,104          |
|  | 10 | <b>16,609</b>         | 17,067          |
|  |    | <b>7,672</b>          | 8,845           |
|  |    | <b>53,418</b>         | 33,669          |
|  |    | <hr/> <b>90,912</b>   | <hr/> 75,685    |
| <b>CURRENT LIABILITIES</b>                   |    |                       |                 |
|  | 11 | <b>3,929</b>          | 3,375           |
|  |    | <b>15,369</b>         | 6,403           |
|  |    | <b>2,059</b>          | 6,366           |
|  |    | <b>271</b>            | 114             |
|  |    | <hr/> <b>21,628</b>   | <hr/> 16,258    |
| <b>NET CURRENT ASSETS</b>                    |    | <hr/> <b>69,284</b>   | <hr/> 59,427    |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> |    | <hr/> <b>246,084</b>  | <hr/> 213,443   |

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

|   |             | <b>At 31 December</b> |                 |
|---|-------------|-----------------------|-----------------|
|   |             | <b>2018</b>           | <b>2017</b>     |
|   | <i>Note</i> | <i>US\$'000</i>       | <i>US\$'000</i> |
| <b>NON-CURRENT LIABILITIES</b>                            |             |                       |                 |
| Bank borrowings   |             | <b>9,572</b>          | 3,074           |
| Other non-current liabilities                             |             | <b>23,111</b>         | 10,170          |
| Deferred tax liabilities                                  |             | <b>3,855</b>          | 3,173           |
|   |             | <hr/>                 | <hr/>           |
| <b>Total non-current liabilities</b>                      |             | <b>36,538</b>         | 16,417          |
|   |             | <hr/>                 | <hr/>           |
| <b>NET ASSETS</b>   |             | <b>209,546</b>        | 197,026         |
|   |             | <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>160,429</b>        | 148,646         |
|   |             | <hr/>                 | <hr/>           |
|   |             | <b>185,762</b>        | 173,979         |
| <b>Non-controlling interests</b>                          |             | <b>23,784</b>         | 23,047          |
|   |             | <hr/>                 | <hr/>           |
| <b>TOTAL EQUITY</b>                                       |             | <b>209,546</b>        | 197,026         |
|   |             | <hr/> <hr/>           | <hr/> <hr/>     |

## NOTES

### 1. BASIS OF PREPARATION

This financial information has 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 (the “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 POLICIES AND DISCLOSURES

The IASB has issued a number of new standards and 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:

|   |   |
|---|---|
| IFRS 9  | <i>Financial Instruments</i>  |
| IFRS 15   | <i>Revenue from Contracts with Customers</i>  |
| Amendments to IFRS 15                                 | Clarifications to IFRS 15 <i>Revenue from Contracts with Customers</i>  |
| Annual Improvements to IFRSs<br>2014-2016 Cycle       | Amendments to IFRS 1 <i>First time adoption of International Financial Reporting Standards</i> and Amendments to IAS 28 <i>Investments in Associates and Joint Ventures</i> |
| IFRS Interpretations<br>Committee – Interpretation 22 | <i>Foreign currency transactions and advance consideration</i>  |

- **IFRS 9 *Financial instruments***

IFRS 9 introduces new classification and measurement requirements for financial assets on the basis of the Group’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, and a new expected credit loss model that replaces the incurred loss impairment model used in IAS 39, *Financial Instruments: Recognition and Measurement*, with the result that a loss event will no longer need to occur before an impairment allowance is recognised.

Impairment based on the expected credit loss model introduced by IFRS 9 on the Group’s financial assets, including trade and bills receivables, have no significant financial impact on this financial information.

- **IFRS 15 *Revenue from contracts with customers***

Under the requirements of IFRS 15, revenue from sale of goods and provision of services by the Group is recognised when the customer obtains control of the promised goods or services in the contract. Transfer of significant risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs. The adoption of IFRS 15 has no significant financial impact on this financial information.

Other new standards, amendments and interpretation that are effective from 1 January 2018 do not have significant financial impact on this financial information.

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 as follows:

- the biochemical segment is mainly engaged in the manufacture and sale of chlortetracycline products; and
- the industrial segment is engaged in trading of machinery and the manufacture and sale of automotive parts, 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. The major product line of the Group is the manufacture and sale of chlortetracycline 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 2018 and 2017.

#### Year ended 31 December 2018

|  | Biochemical<br>operations<br><i>US\$'000</i> | Industrial<br>operations<br><i>US\$'000</i> | Total<br><i>US\$'000</i> |
|--|--|---|--------------------------|
| <b>Segment revenue</b>                         |  |   |                          |
| Sales to external customers                    | <u>93,362</u>                                | <u>–</u>                                    | <u>93,362</u>            |
| <b>Segment results</b>                         |  |   |                          |
| The Group                                      | 7,302  | (1,487)                                     | 5,815                    |
| Share of profits and losses of:                |  |   |                          |
| Joint venture                                  | –  | 17,966                                      | 17,966                   |
| Associate                                      | –  | 1,875                                       | 1,875                    |
|  | <u>7,302</u>                                 | <u>18,354</u>                               | <u>25,656</u>            |
| Reconciliation:                                |  |   |                          |
| Bank interest income                           |  |   | 533                      |
| Unallocated head office and corporate expenses |  |   | <u>(1,375)</u>           |
| Profit before tax                              |  |   | <u>24,814</u>            |
| <b>Other segment information</b>               |  |   |                          |
| Depreciation and amortisation                  | 5,010  | 18  | 5,028                    |
| Capital expenditure*                           | <u>19,199</u>                                | <u>–</u>                                    | <u>19,199</u>            |

\* Including additions to property, plant and equipment.

3. OPERATING SEGMENT INFORMATION (Continued)

(a) Reportable operating segments (Continued)

At 31 December 2018

|                                   | Biochemical<br>operations<br>US\$'000 | Industrial<br>operations<br>US\$'000 | Total<br>US\$'000 |
|-----------------------------------|---------------------------------------|--------------------------------------|-------------------|
| Segment assets                    | <u>99,777</u>                         | <u>114,477</u>                       | 214,254           |
| Reconciliation:                   |                                       |                                      |                   |
| Unallocated corporate assets      |                                       |                                      | <u>53,458</u>     |
| Total assets                      |                                       |                                      | <u>267,712</u>    |
| Segment liabilities               | <u>42,198</u>                         | <u>31</u>                            | 42,229            |
| Reconciliation:                   |                                       |                                      |                   |
| Unallocated corporate liabilities |                                       |                                      | <u>15,937</u>     |
| Total liabilities                 |                                       |                                      | <u>58,166</u>     |
| <b>Other segment information</b>  |                                       |                                      |                   |
| Investments in joint venture      | –                                     | 90,559                               | 90,559            |
| Investments in associate          | –                                     | 18,880                               | 18,880            |



### 3. OPERATING SEGMENT INFORMATION (Continued)

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

Year ended 31 December 2017

|  | Biochemical<br>operations<br>US\$'000 | Industrial<br>operations<br>US\$'000 | Total<br>US\$'000 |
|--|---------------------------------------|--------------------------------------|-------------------|
| <b>Segment revenue</b>                         |                                       |                                      |                   |
| Sales to external customers                    | 74,466                                | –                                    | 74,466            |
|  | <u>74,466</u>                         | <u>–</u>                             | <u>74,466</u>     |
| <b>Segment results</b>                         |                                       |                                      |                   |
| The Group                                      | 5,257                                 | (682)                                | 4,575             |
| Share of profits and losses of:                |                                       |                                      |                   |
| Joint venture                                  | –                                     | 13,348                               | 13,348            |
| Associate                                      | –                                     | 2,259                                | 2,259             |
|  | <u>–</u>                              | <u>15,607</u>                        | <u>15,607</u>     |
|  | <u>5,257</u>                          | <u>14,925</u>                        | <u>20,182</u>     |
| Reconciliation:                                |                                       |                                      |                   |
| Bank interest income                           |                                       |                                      | 349               |
| Finance costs                                  |                                       |                                      | (156)             |
| Unallocated head office and corporate expenses |                                       |                                      | <u>(1,306)</u>    |
| Profit before tax                              |                                       |                                      | <u>19,069</u>     |
| <b>Other segment information</b>               |                                       |                                      |                   |
| Depreciation and amortisation                  | 5,315                                 | 4                                    | 5,319             |
| Capital expenditure*                           | 8,033                                 | –                                    | 8,033             |
| Addition of other non-current assets           | 444                                   | –                                    | 444               |
|  | <u>13,792</u>                         | <u>4</u>                             | <u>13,796</u>     |

\* Including additions to property, plant and equipment.

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

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

At 31 December 2017

|                                   | Biochemical<br>operations<br><i>US\$'000</i> | Industrial<br>operations<br><i>US\$'000</i> | Total<br><i>US\$'000</i> |
|-----------------------------------|--|---|--------------------------|
| <b>Segment assets</b>             | <u>94,432</u>                                | <u>101,364</u>                              | 195,796                  |
| Reconciliation:                   |  |   |                          |
| Unallocated corporate assets      |  |   | <u>33,905</u>            |
| Total assets                      |  |   | <u>229,701</u>           |
| <b>Segment liabilities</b>        | <u>19,713</u>                                | <u>26</u>                                   | 19,739                   |
| Reconciliation:                   |  |   |                          |
| Unallocated corporate liabilities |  |   | <u>12,936</u>            |
| Total liabilities                 |  |   | <u>32,675</u>            |
| <b>Other segment information</b>  |  |   |                          |
| Investments in joint venture      | –  | 77,952                                      | 77,952                   |
| Investments in associate          | –  | 18,082                                      | 18,082                   |

#### (b) Geographical information

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

|   | <b>Year ended 31 December</b> |                 |
|---|-------------------------------|-----------------|
|   | <b>2018</b>                   | 2017            |
|   | <i>US\$'000</i>               | <i>US\$'000</i> |
| Mainland China                          | <b>40,982</b>                 | 26,977          |
| Asia Pacific (excluding mainland China) | <b>24,251</b>                 | 21,154          |
| North America                           | <b>11,196</b>                 | 11,239          |
| Europe                                  | <b>8,779</b>                  | 8,527           |
| Elsewhere                               | <b>8,154</b>                  | 6,569           |
|   | <u><b>93,362</b></u>          | <u>74,466</u>   |

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

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

At 31 December 2018, 99% (2017: 99%) of the Group's non-current assets are located in mainland China.

#### 4. REVENUE

Revenue, which is also the Group's turnover, represents the aggregate of the invoiced value of goods sold, net of value-added tax and government surcharges, and after allowances for goods returned and trade discounts. All of the Group's revenue is from the biochemical segment.

#### 5. OTHER INCOME, NET

An analysis of other income, net is as follows:

|  | Year ended 31 December |                  |
|--|------------------------|------------------|
|  | 2018<br>US\$'000       | 2017<br>US\$'000 |
| Bank interest income                                   | 533                    | 349              |
| Government grants                                      | 925                    | 738              |
| Loss on disposal of property, plant and equipment, net | (203)                  | (88)             |
| Gain on disposal of land lease prepayments, net        | 95                     | –                |
| Loss on deregistration of a subsidiary                 | –                      | (184)            |
| Foreign exchange differences, net                      | (9)                    | (24)             |
| Income from sale of trial production products, net     | 522                    | 1,892            |
| Others   | 125                    | 322              |
|  | <u>1,988</u>           | <u>3,005</u>     |

#### 6. PROFIT BEFORE TAX

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

|  | Year ended 31 December |                  |
|--|------------------------|------------------|
|  | 2018<br>US\$'000       | 2017<br>US\$'000 |
| Cost of inventories sold                               | 66,108                 | 52,422           |
| Depreciation of property, plant and equipment          | 4,828                  | 5,112            |
| Amortisation of land lease prepayments                 | 200                    | 207              |
| Loss on disposal of property, plant and equipment, net | 203                    | 88               |
| Gain on disposal of land lease prepayments, net        | (95)                   | –                |
| Foreign exchange differences, net                      | 9                      | 24               |
|  | <u>9</u>               | <u>24</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 (2017: nil).

The Group's subsidiaries operating in the People's Republic of China ("PRC") are subject to income tax at the rate of 25% (2017: 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 |                  |
|---------------------------------------|------------------------|------------------|
|                                       | 2018<br>US\$'000       | 2017<br>US\$'000 |
| Current – the PRC                     |                        |                  |
| Charge for the year                   | 1,010                  | 1,088            |
| (Over)/under-provision in prior years | (88)                   | 2                |
| Deferred                              | 688                    | 271              |
|                                       | <u>1,610</u>           | <u>1,361</u>     |
| Total tax expense for the year        | <u>1,610</u>           | <u>1,361</u>     |

## 8. DIVIDEND

The board of directors of the Company has resolved not to declare a dividend for the year ended 31 December 2018 (2017: 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 |                  |
|---|------------------------|------------------|
|   | 2018<br>US\$'000       | 2017<br>US\$'000 |
| <b>Earnings</b>   |                        |                  |
| Profit for the year attributable to shareholders of the Company, used in the basic earnings per share calculation | <u>21,164</u>          | <u>16,347</u>    |

|  | Year ended 31 December |      |
|--|------------------------|------|
|  | 2018                   | 2017 |

## Shares

|   |                    |                    |
|---|--------------------|--------------------|
| Weighted average number of ordinary shares and convertible preference shares in issue during the year, used in the basic earnings per share calculation | <u>253,329,087</u> | <u>253,329,087</u> |
|---|--------------------|--------------------|

As there were no potential dilutive ordinary shares during the years ended 31 December 2018 and 2017, 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:

|                  | <b>At 31 December</b> |                 |
|------------------|-----------------------|-----------------|
|                  | <b>2018</b>           | <b>2017</b>     |
|                  | <b>US\$'000</b>       | <b>US\$'000</b> |
| 60 days or below | <b>12,414</b>         | 14,330          |
| 61 to 180 days   | <b>4,165</b>          | 2,734           |
| Over 180 days    | <b>30</b>             | 3               |
|                  | <hr/>                 | <hr/>           |
|                  | <b>16,609</b>         | 17,067          |
|                  | <hr/> <hr/>           | <hr/> <hr/>     |

## 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:

|                  | <b>At 31 December</b> |                 |
|------------------|-----------------------|-----------------|
|                  | <b>2018</b>           | <b>2017</b>     |
|                  | <b>US\$'000</b>       | <b>US\$'000</b> |
| 60 days or below | <b>3,889</b>          | 3,351           |
| 61 to 180 days   | <b>40</b>             | 24              |
|                  | <hr/>                 | <hr/>           |
|                  | <b>3,929</b>          | 3,375           |
|                  | <hr/> <hr/>           | <hr/> <hr/>     |

## 12. SHARE CAPITAL

|  | <b>At 31 December</b> |                 |
|--|-----------------------|-----------------|
|  | <b>2018</b>           | 2017            |
|  | <i>US\$'000</i>       | <i>US\$'000</i> |
| <b>Authorised</b>  |                       |                 |
| <i>Ordinary shares:</i>  |                       |                 |
| 787,389,223 shares (2017: 787,389,223 shares)<br>of US\$0.1 each | <b>78,739</b>         | 78,739          |
| <i>Convertible preference shares:</i>                            |                       |                 |
| 12,610,777 shares (2017: 12,610,777 shares)<br>of US\$0.1 each   | <b>1,261</b>          | 1,261           |
|  | <b>80,000</b>         | 80,000          |
| <b>Issued and fully paid</b>                                     |                       |                 |
| <i>Ordinary shares:</i>  |                       |                 |
| 240,718,310 shares (2017: 240,718,310 shares)<br>of US\$0.1 each | <b>24,072</b>         | 24,072          |
| <i>Convertible preference shares:</i>                            |                       |                 |
| 12,610,777 shares (2017: 12,610,777 shares)<br>of US\$0.1 each   | <b>1,261</b>          | 1,261           |
|  | <b>25,333</b>         | 25,333          |

There were no movements in the Company's issued ordinary shares and convertible preference shares during the years ended 31 December 2018 and 2017.

### *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 businesses: biochemical business and industrial business. The biochemical business, which focuses on the manufacture and sale of chlortetracycline (“CTC”) products and is carried on by Group subsidiaries, 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 statement of comprehensive income as share of profits from joint venture and associate.

For the year ended 31 December 2018, the Group’s revenue grew 25.4% to US\$93.36 million (2017: US\$74.47 million). Overall, gross profit margin was 29.2%, versus 29.6% in 2017.

Profit attributable to shareholders of the Company increased to US\$21.16 million compared to US\$16.35 million in 2017, mainly due to a significant increase in the share of profit from ECI Metro.

Basic and diluted earnings per share were both US 8.35 cents (2017: US 6.45 cents). The board has resolved not to declare a final dividend for the year ended 31 December 2018 (2017: Nil).

### **BUSINESS REVIEW**

#### **Biochemical**

We generate the bulk of our revenue from the manufacture and sale of CTC products – CTC Premix and CTC HCL. CTC products are used as feed additives to promote healthy growth of livestock, prevent or cure animal diseases and improve overall feed efficiency. The Group’s overseas customers include feed mills, pharmaceutical companies and trading companies, whereas customers in China are mainly feed mills.

The Group’s biochemical revenue increased 25.4% to US\$93.36 million (2017: US\$74.47 million). Revenue contribution from China, Asia Pacific (excluding China), North America, Europe and elsewhere were 43.9%, 26.0%, 12.0%, 9.4% and 8.7% respectively.

For the year under review, increased sales in China were mainly due to growing demand from large-scale animal farms as smaller players grappled with stricter environmental regulations. For our overseas market, Asia Pacific (excluding China) and South America were the major growth contributors.

While competition remained intense, the Group managed to raise average selling price of our products, mitigating substantially the negative effects from higher environmental compliance costs and higher raw material costs. Average selling price of CTC premix, our main revenue contributor, increased by approximately 6.2% in 2018 when compared to 2017. Gross profit margin was 29.2% in 2018 (2017: 29.6%).

## **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 5.9% in 2018, of which growth in western China was 4.7%. The growth in infrastructure investments resulted in ECI Metro's increased sales of Caterpillar machinery equipment in its operating region. For the year ended 31 December 2018, our share of profits of joint venture increased to US\$17.97 million from US\$13.35 million in 2017.

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, motorcycle sales recorded a decline of 9.1% in 2018 and automobile sales was 2.8% lower than 2017. For the year ended 31 December 2018, our share of profits of associate was US\$1.88 million (2017: US\$2.26 million).

## **RECENT DEVELOPMENT**

The Company on 17 November 2016 announced the relocation of its production facilities of Zhumadian Huazhong Chia Tai Co., Ltd. (the "Relocation"). The Relocation is to comply with the requirements of the city's urban development plans and is expected, at this stage, to be completed by the end of 2019. A net gain attributable to shareholders of the Company of approximately US\$11.8 million would be recorded upon completion of the Relocation.

## **OUTLOOK**

Chinese authorities are continuing their review of antibiotic uses in animals and plans to completely ban the use of antibiotics as feed additives by 2020. This development will adversely affect the demand for CTC products in our China market and cloud the outlook of our biochemical business.

Fixed-asset investment growth in China has started to ease in the second half of 2018 and softer market conditions are expected to extend into 2019. In line with market developments, our industrial business is likely to slowdown as well in 2019.



## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2018, the Group had total assets of US\$267.7 million, an increase of 16.5% as compared to US\$229.7 million as at 31 December 2017.

As at 31 December 2018, the Group had net cash, being cash less bank borrowings, of US\$41.8 million (31 December 2017: US\$24.2 million).

All the borrowings of the Group are denominated in Renminbi (“RMB”) as at 31 December 2018 and 2017.

As at 31 December 2018, the Group had no fixed interest rate bank borrowings (31 December 2017: US\$4.6 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\$53.4 million as at 31 December 2018, an increase of US\$19.7 million compared to US\$33.7 million as at 31 December 2017.

## **CHARGES ON GROUP ASSETS**

As at 31 December 2018, out of the total borrowings of US\$11.6 million (31 December 2017: US\$9.4 million) obtained by the Group, US\$11.6 million (31 December 2017: US\$4.8 million) was secured and accounted for 100.0% (31 December 2017: 51.2%) 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\$11.6 million (31 December 2017: US\$7.8 million) were pledged as security.

## **CONTINGENT LIABILITIES**

As at 31 December 2018, the Group did not have any significant contingent liabilities.

## **EMPLOYEE AND REMUNERATION POLICIES**

As at 31 December 2018, the Group employed around 800 employees in the PRC and Hong Kong. The Group remunerates its employees based on their performance, experience and prevailing market rates while performance bonuses are granted on a discretionary basis. Other employee benefits include, for example, medical insurance and training.

## **DIVIDEND**

The Board has resolved not to declare a dividend for the year ended 31 December 2018 (2017: nil).

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members holding ordinary shares of the Company will be closed from 10 May 2019 to 16 May 2019, both days inclusive, during which period no transfer of 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 16 May 2019, all transfer forms 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 9 May 2019.

## **CORPORATE GOVERNANCE CODE**

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

In the opinion of the Board, the Company has applied the principles and complied with all of the code provisions prescribed in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year 2018.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Code of Conduct for Securities Transactions, which is based on the required standard 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 by the Company, all of the directors of the Company have confirmed that they complied with the required standard set out in the Code of Conduct for Securities Transactions during 2018.

## **REVIEW OF ANNUAL RESULTS**

The results for the year ended 31 December 2018 have been audited by the auditor of the Company, KPMG, in accordance with Hong Kong Standards on Auditing ("HKSA") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"), whose unmodified audit report will be included in the annual report to be sent to shareholders of the Company. The results have also been reviewed by the audit committee of the Company.

The financial figures in respect of the consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2018, as set out in this announcement, have been compared by KPMG to the amounts set out in the audited consolidated financial statements for the year and the amounts were found to be in agreement. Such 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 this announcement.

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

During 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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

Hong Kong, 18 February 2019

*As at the date of this announcement, the chairman and non-executive director is Mr. Soopakij Chearavanont; the executive directors are Mr. Thirayut Phityaisarakul, Mr. Thanakorn Seriburi and Mr. Nopadol Chiaravanont; the non-executive director is Mr. Yoichi Ikezoe; and the independent non-executive directors are Mr. Surasak Rounroengrom, Mr. Cheng Yuk Wo and Mr. Edward Ko Ming Tung.*