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## **CHIA TAI ENTERPRISES INTERNATIONAL LIMITED**

**正大企業國際有限公司**

*(Incorporated in Bermuda with members' limited liability)*

(Stock Code: 3839)

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023**

#### **UNAUDITED CONSOLIDATED RESULTS**

The board of directors (the “Board”) of Chia Tai Enterprises International Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2023.

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

|                                     |             | <b>Six months ended 30 June</b> |                    |
|-------------------------------------|-------------|---------------------------------|--------------------|
|                                     | <i>Note</i> | <b>2023</b>                     | <b>2022</b>        |
|                                     |             | <b>US\$'000</b>                 | <b>US\$'000</b>    |
|                                     |             | <b>(Unaudited)</b>              | <b>(Unaudited)</b> |
| <b>REVENUE</b>                      | 4           | <b>82,810</b>                   | 81,211             |
| Cost of sales                       |             | <b>(64,401)</b>                 | (62,084)           |
| Gross profit                        |             | <b>18,409</b>                   | 19,127             |
| Other income, net                   | 5           | <b>434</b>                      | 24                 |
| Selling and distribution costs      |             | <b>(7,757)</b>                  | (6,917)            |
| General and administrative expenses |             | <b>(11,319)</b>                 | (10,465)           |
| Finance costs                       | 6           | <b>(711)</b>                    | (433)              |
| Share of profits and losses of:     |             |                                 |                    |
| Joint venture                       |             | <b>2,606</b>                    | (5,340)            |
| Associate                           |             | <b>1,043</b>                    | 1,113              |
| <b>PROFIT/(LOSS) BEFORE TAX</b>     | 7           | <b>2,705</b>                    | (2,891)            |
| Income tax                          | 8           | <b>(424)</b>                    | (1,049)            |
| <b>PROFIT/(LOSS) FOR THE PERIOD</b> |             | <b>2,281</b>                    | (3,940)            |

## UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Continued)

|   | <b>Six months ended 30 June</b> |                    |
|---|---------------------------------|--------------------|
| <i>Note</i>   | <b>2023</b>                     | <b>2022</b>        |
|   | <b>US\$'000</b>                 | <b>US\$'000</b>    |
|   | <b>(Unaudited)</b>              | <b>(Unaudited)</b> |
| <b>Profit/(loss) attributable to:</b>                             |                                 |                    |
| Shareholders of the Company                                       | 2,027                           | (4,984)            |
| Non-controlling interests   | 254                             | 1,044              |
|   | <u>2,281</u>                    | <u>(3,940)</u>     |
|   | <i>US cents</i>                 | <i>US cents</i>    |
| <br><b>EARNINGS/(LOSSES) PER SHARE</b>                            |                                 |                    |
| <b>ATTRIBUTABLE TO SHAREHOLDERS</b>                               |                                 |                    |
| <b>OF THE COMPANY</b>   |                                 |                    |
| 10  |                                 |                    |
| Basic and diluted   | <u>0.80</u>                     | <u>(1.97)</u>      |
|   | <i>US\$'000</i>                 | <i>US\$'000</i>    |
| <b>PROFIT/(LOSS) FOR THE PERIOD</b>                               | <b>2,281</b>                    | <b>(3,940)</b>     |
| <br><b>OTHER COMPREHENSIVE INCOME</b>                             |                                 |                    |
| Items that may be reclassified subsequently to profit or loss:    |                                 |                    |
| Exchange differences related to translation of foreign operations | (4,110)                         | (4,214)            |
| Share of other comprehensive income of:                           |                                 |                    |
| Joint venture   | (5,298)                         | (6,144)            |
| Associate   | (873)                           | (1,126)            |
|   | <u>(10,281)</u>                 | <u>(11,484)</u>    |
| <b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>                  | <b>(10,281)</b>                 | <b>(11,484)</b>    |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>                  | <b>(8,000)</b>                  | <b>(15,424)</b>    |
| <br><b>Total comprehensive income attributable to:</b>            |                                 |                    |
| Shareholders of the Company                                       | (7,063)                         | (15,199)           |
| Non-controlling interests   | (937)                           | (225)              |
|   | <u>(8,000)</u>                  | <u>(15,424)</u>    |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|  |             | 30 June<br>2023                       | 31 December<br>2022                 |
|--|-------------|---------------------------------------|-------------------------------------|
|  | <i>Note</i> | <i>US\$'000</i><br><b>(Unaudited)</b> | <i>US\$'000</i><br><b>(Audited)</b> |
| <b>NON-CURRENT ASSETS</b>                    |             |                                       |                                     |
| Property, plant and equipment                |             | <b>89,791</b>                         | 93,847                              |
| Land lease prepayments                       |             | <b>4,839</b>                          | 5,168                               |
| Investments in joint venture                 |             | <b>99,430</b>                         | 102,122                             |
| Investments in associate                     |             | <b>18,310</b>                         | 19,880                              |
| Other non-current assets                     |             | <b>279</b>                            | 246                                 |
|  |             | <hr/>                                 | <hr/>                               |
| <b>Total non-current assets</b>              |             | <b>212,649</b>                        | 221,263                             |
| <b>CURRENT ASSETS</b>                        |             |                                       |                                     |
| Inventories                                  |             | <b>37,059</b>                         | 45,734                              |
| Trade and bills receivables                  | 11          | <b>44,912</b>                         | 40,863                              |
| Prepayments, deposits and other receivables  |             | <b>15,632</b>                         | 11,866                              |
| Cash and cash equivalents                    |             | <b>36,222</b>                         | 30,859                              |
|  |             | <hr/>                                 | <hr/>                               |
| <b>Total current assets</b>                  |             | <b>133,825</b>                        | 129,322                             |
| <b>CURRENT LIABILITIES</b>                   |             |                                       |                                     |
| Trade and bill payables                      | 12          | <b>18,609</b>                         | 18,816                              |
| Other payables and accruals                  |             | <b>12,996</b>                         | 17,657                              |
| Bank borrowings                              |             | <b>44,527</b>                         | 36,844                              |
| Income tax payables                          |             | <b>3,654</b>                          | 3,997                               |
|  |             | <hr/>                                 | <hr/>                               |
| <b>Total current liabilities</b>             |             | <b>79,786</b>                         | 77,314                              |
| <b>NET CURRENT ASSETS</b>                    |             | <hr/> <b>54,039</b>                   | <hr/> 52,008                        |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> |             | <hr/> <b>266,688</b>                  | <hr/> 273,271                       |

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

|   | <b>30 June</b><br><b>2023</b><br><i>US\$'000</i><br>(Unaudited) | 31 December<br>2022<br><i>US\$'000</i><br>(Audited) |
|---|---|---|
| <b>NON-CURRENT LIABILITIES</b>                            |   |   |
| Bank borrowings   | <b>14,389</b>   | 12,258  |
| Other non-current liabilities                             | <b>1,845</b>  | 2,170   |
| Deferred tax liabilities                                  | <b>2,702</b>  | 3,091   |
|   | <hr/>   | <hr/>   |
| <b>Total non-current liabilities</b>                      | <b>18,936</b>   | 17,519  |
|   | <hr/>   | <hr/>   |
| <b>NET ASSETS</b>   | <b>247,752</b>  | 255,752   |
|   | <hr/> <hr/>   | <hr/> <hr/>   |
| <b>EQUITY</b>   |   |   |
| <b>Equity attributable to shareholders of the Company</b> |   |   |
| Issued capital  | <b>25,333</b>   | 25,333  |
| Reserves  | <b>198,454</b>  | 205,517   |
|   | <hr/>   | <hr/>   |
|   | <b>223,787</b>  | 230,850   |
|   | <hr/>   | <hr/>   |
| <b>Non-controlling interests</b>                          | <b>23,965</b>   | 24,902  |
|   | <hr/>   | <hr/>   |
| <b>TOTAL EQUITY</b>                                       | <b>247,752</b>  | 255,752   |
|   | <hr/> <hr/>   | <hr/> <hr/>   |

## NOTES

### 1. BASIS OF PREPARATION

The financial information set out in this announcement does not constitute the Group's interim financial report for the six months ended 30 June 2023, but is derived from the interim financial report. The interim financial report is unaudited and has been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (the "IASB") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The accounting policies and the basis of preparation adopted in the preparation of the interim financial report are consistent with those adopted in the annual financial statements for the year ended 31 December 2022, which were prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all IFRSs, IASs and Interpretations) issued by the IASB, except for the accounting policy changes as set out in note 2 below. This interim financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2022.

This interim 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 interim period. Of these, the following amendments may be relevant to the Group:

|   |   |
|---|---|
| IFRS 7  | IFRS 7, <i>Insurance contracts</i>  |
| Amendments to IAS 1 and IFRS 2 Practice Statement 2 | Amendments to IAS 1, and IFRS Practice Statement 2, <i>Making materiality judgements: Disclosure of accounting policies</i>     |
| Amendments to IAS 8                                 | Amendments to IAS 8, <i>Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates</i> |
| Amendments to IAS 12                                | Amendments to IAS 12, <i>International Tax Reform – Pillar Two Model Rules (amendments)</i>                                     |

None of the new standard, amendment and 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 period.

## **2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES** *(Continued)*

In June 2022, the Government of the Hong Kong Special Administrative Region of the People's Republic of China (the "Government") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), which will eventually abolish the statutory right of an employer to reduce its long service payment ("LSP") and severance payment payable to a Hong Kong employee by drawing on its mandatory contributions to the mandatory provident fund ("MPF") scheme (the "offsetting mechanism"). The Government has subsequently announced that the Amendment Ordinance will come into effect from 1 May 2025.

In July 2023, the Hong Kong Institute of Certified Public Accountants ("HKICPA") published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides guidance on the accounting considerations relating to the offsetting mechanism and the abolition of the mechanism. The Group has assessed the implications of this new guidance and is of the view that the related impact on the financial statements of the Group will not be significant.

## **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/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) 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, 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 during the period.

#### Six months ended 30 June 2023

|  | <b>Biochemical<br/>operations<br/>US\$'000<br/>(Unaudited)</b> | <b>Industrial<br/>operations<br/>US\$'000<br/>(Unaudited)</b> | <b>Total<br/>US\$'000<br/>(Unaudited)</b> |
|--|--|---|---|
| <b>Segment revenue</b>                         |  |   |   |
| Sales to external customers                    | <b>82,810</b>  | –   | <b>82,810</b>                             |
| <b>Segment results</b>                         |  |   |   |
| The Group                                      | <b>1,063</b>   | <b>(801)</b>  | <b>262</b>                                |
| Share of profits and losses of:                |  |   |   |
| Joint venture                                  | –  | <b>2,606</b>  | <b>2,606</b>                              |
| Associate                                      | –  | <b>1,043</b>  | <b>1,043</b>                              |
|  | <b>1,063</b>   | <b>2,848</b>  | <b>3,911</b>                              |
| Reconciliation:                                |  |   |   |
| Bank interest income                           |  |   | <b>505</b>                                |
| Finance cost                                   |  |   | <b>(711)</b>                              |
| Unallocated head office and corporate expenses |  |   | <b>(1,000)</b>                            |
| Profit before tax                              |  |   | <b>2,705</b>                              |
| <b>Other segment information</b>               |  |   |   |
| Depreciation and amortisation                  | <b>3,458</b>   | –   | <b>3,458</b>                              |
| Capital expenditure*                           | <b>3,190</b>   | –   | <b>3,190</b>                              |

\* Including additions to property, plant and equipment.

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

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

**At 30 June 2023**

|  | <b>Biochemical<br/>operations<br/>US\$'000<br/>(Unaudited)</b> | <b>Industrial<br/>operations<br/>US\$'000<br/>(Unaudited)</b> | <b>Total<br/>US\$'000<br/>(Unaudited)</b> |
|--|--|---|---|
| <b>Segment assets</b>                                | <b>186,400</b>   | <b>123,751</b>  | <b>310,151</b>                            |
| Reconciliation:<br>Unallocated corporate assets      |  |   | <u>36,323</u>                             |
| Total assets   |  |   | <u><b>346,474</b></u>                     |
| <b>Segment liabilities</b>                           | <b>32,372</b>  | <b>15</b>   | <b>32,387</b>                             |
| Reconciliation:<br>Unallocated corporate liabilities |  |   | <u>66,335</u>                             |
| Total liabilities                                    |  |   | <u><b>98,722</b></u>                      |
| <b>Other segment information</b>                     |  |   |   |
| Investments in joint venture                         | –  | 99,430  | 99,430                                    |
| Investments in associate                             | –  | 18,310  | 18,310                                    |



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

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

Six months ended 30 June 2022

|  | Biochemical<br>operations<br><i>US\$'000</i><br>(Unaudited) | Industrial<br>operations<br><i>US\$'000</i><br>(Unaudited) | Total<br><i>US\$'000</i><br>(Unaudited) |
|--|---|--|---|
| <b>Segment revenue</b>                         |   |  |   |
| Sales to external customers                    | 81,211  | –  | 81,211                                  |
|  | <u>81,211</u>   | <u>–</u>   | <u>81,211</u>                           |
| <b>Segment results</b>                         |   |  |   |
| The Group                                      | 3,453   | (804)  | 2,649                                   |
| Share of profits and losses of:                |   |  |   |
| Joint venture                                  | –   | (5,340)  | (5,340)                                 |
| Associate                                      | –   | 1,113  | 1,113                                   |
|  | <u>–</u>  | <u>1,113</u>   | <u>1,113</u>                            |
|  | <u>3,453</u>  | <u>(5,031)</u>   | <u>(1,578)</u>                          |
| Reconciliation:                                |   |  |   |
| Bank interest income                           |   |  | 68                                      |
| Finance cost                                   |   |  | (433)                                   |
| Unallocated head office and corporate expenses |   |  | <u>(948)</u>                            |
| Loss before tax                                |   |  | <u>(2,891)</u>                          |
| <b>Other segment information</b>               |   |  |   |
| Depreciation and amortisation                  | 3,569   | –  | 3,569                                   |
| Capital expenditure*                           | 6,800   | –  | 6,800                                   |
|  | <u>6,800</u>  | <u>–</u>   | <u>6,800</u>                            |

\* Including additions to property, plant and equipment.

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

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

At 31 December 2022

|                                   | Biochemical<br>operations<br><i>US\$'000</i><br>(Audited) | Industrial<br>operations<br><i>US\$'000</i><br>(Audited) | Total<br><i>US\$'000</i><br>(Audited) |
|-----------------------------------|---|--|---------------------------------------|
| <b>Segment assets</b>             | <u>193,138</u>  | <u>126,547</u>   | 319,685                               |
| Reconciliation:                   |   |  |                                       |
| Unallocated corporate assets      |   |  | <u>30,900</u>                         |
| Total assets                      |   |  | <u>350,585</u>                        |
| <b>Segment liabilities</b>        | <u>37,716</u>   | <u>19</u>  | 37,735                                |
| Reconciliation:                   |   |  |                                       |
| Unallocated corporate liabilities |   |  | <u>57,098</u>                         |
| Total liabilities                 |   |  | <u>94,833</u>                         |
| <b>Other segment information</b>  |   |  |                                       |
| Investments in joint venture      | –   | 102,122  | 102,122                               |
| Investments in associate          | –   | 19,880   | 19,880                                |

#### (b) Geographical information

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

|   | <b>Six months ended 30 June</b> |                 |
|---|---------------------------------|-----------------|
|   | <b>2023</b>                     | 2022            |
|   | <i>US\$'000</i>                 | <i>US\$'000</i> |
|   | <b>(Unaudited)</b>              | (Unaudited)     |
| Mainland China                          | <b>45,094</b>                   | 32,905          |
| Americas                                | <b>15,916</b>                   | 19,720          |
| Asia Pacific (excluding mainland China) | <b>15,873</b>                   | 16,560          |
| Europe                                  | <b>2,615</b>                    | 4,033           |
| Elsewhere                               | <b>3,312</b>                    | 7,993           |
|   | <u><b>82,810</b></u>            | <u>81,211</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 30 June 2023, 99% (31 December 2022: 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:

|                                   | Six months ended 30 June |             |
|-----------------------------------|--------------------------|-------------|
|                                   | 2023                     | 2022        |
|                                   | US\$'000                 | US\$'000    |
|                                   | (Unaudited)              | (Unaudited) |
| Bank interest income              | 505                      | 68          |
| Government grants                 | 227                      | 644         |
| Foreign exchange differences, net | (801)                    | (906)       |
| Others                            | 503                      | 218         |
|                                   | <u>434</u>               | <u>24</u>   |

### 6. FINANCE COSTS

|                                     | Six months ended 30 June |             |
|-------------------------------------|--------------------------|-------------|
|                                     | 2023                     | 2022        |
|                                     | US\$'000                 | US\$'000    |
|                                     | (Unaudited)              | (Unaudited) |
| Interest expense on bank borrowings | 1,444                    | 1,018       |
| Less: Interest expense capitalised* | (733)                    | (585)       |
|                                     | <u>711</u>               | <u>433</u>  |

\* Interest expense was capitalised at interest rate based on the respective loan facilities of 3.3%-5.1% per annum (six months ended 30 June 2022: 3.5%-5.4%).

## 7. PROFIT/(LOSS) BEFORE TAX

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

|   | Six months ended 30 June |               |
|---|--------------------------|---------------|
|   | 2023                     | 2022          |
|   | US\$'000                 | US\$'000      |
|   | (Unaudited)              | (Unaudited)   |
| Cost of inventories sold                      | 64,401                   | 62,084        |
| Depreciation of property, plant and equipment | 3,446                    | 3,497         |
| Amortisation of land lease prepayments        | 80                       | 72            |
|   | <u>68,927</u>            | <u>65,653</u> |

## 8. INCOME TAX

No provision for Hong Kong profits tax has been made for the period as the Group did not generate any assessable profits in Hong Kong during the current period (six months ended 30 June 2022: nil).

Subsidiaries operating in the People's Republic of China ("PRC") are subject to income tax at the rate of 25% (six months ended 30 June 2022: 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.

|                                       | Six months ended 30 June |              |
|---------------------------------------|--------------------------|--------------|
|                                       | 2023                     | 2022         |
|                                       | US\$'000                 | US\$'000     |
|                                       | (Unaudited)              | (Unaudited)  |
| Current – the PRC                     |                          |              |
| Charge for the period                 | 754                      | 2,474        |
| Under/(over)-provision in prior years | 19                       | (183)        |
| Deferred                              | (349)                    | (1,242)      |
|                                       | <u>424</u>               | <u>1,049</u> |

## 9. INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

## 10. EARNINGS/(LOSSES) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

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

The calculation of basic earnings/(losses) per share is based on the following data:

|  | <b>Six months ended 30 June</b> |                    |
|--|---------------------------------|--------------------|
|  | <b>2023</b>                     | 2022               |
|  | <i>US\$'000</i>                 | <i>US\$'000</i>    |
|  | <b>(Unaudited)</b>              | (Unaudited)        |
| <b>Earnings/(losses)</b>   |                                 |                    |
| Profit/(loss) for the period attributable to shareholders of the Company, used in the basic earnings/(losses) per share calculation                                | <u>2,027</u>                    | <u>(4,984)</u>     |
|  | <b>Six months ended 30 June</b> |                    |
|  | <b>2023</b>                     | 2022               |
|  | <i>(Unaudited)</i>              | (Unaudited)        |
| <b>Shares</b>  |                                 |                    |
| Weighted average number of ordinary shares and convertible preference shares in issue during the period, used in the basic earnings/(losses) per share calculation | <u>253,329,087</u>              | <u>253,329,087</u> |

As there were no potential dilutive ordinary shares during the six months ended 30 June 2023 and 2022, the amount of diluted earnings/(losses) per share is equal to basic earnings/(losses) per share.

## 11. 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 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>30 June</b>       | 31 December     |
|------------------|----------------------|-----------------|
|                  | <b>2023</b>          | 2022            |
|                  | <i>US\$'000</i>      | <i>US\$'000</i> |
|                  | <b>(Unaudited)</b>   | (Audited)       |
| 60 days or below | <b>21,000</b>        | 18,117          |
| 61 to 180 days   | <b>13,623</b>        | 14,746          |
| Over 180 days    | <u>10,289</u>        | <u>8,000</u>    |
|                  | <u><b>44,912</b></u> | <u>40,863</u>   |

## 12. TRADE AND BILLS PAYABLES

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

|                  | <b>30 June</b>     | 31 December     |
|------------------|--------------------|-----------------|
|                  | <b>2023</b>        | 2022            |
|                  | <i>US\$'000</i>    | <i>US\$'000</i> |
|                  | <b>(Unaudited)</b> | (Audited)       |
| 60 days or below | <b>15,903</b>      | 15,535          |
| 61 to 180 days   | <b>2,358</b>       | 2,592           |
| Over 180 days    | <b>348</b>         | 689             |
|                  | <hr/>              | <hr/>           |
|                  | <b>18,609</b>      | 18,816          |
|                  | <hr/> <hr/>        | <hr/> <hr/>     |

## **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 and losses of joint venture and associate.

For the six months ended 30 June 2023 (“1H23”), the Group’s revenue increased 2.0% to US\$82.81 million. For the six months ended 30 June 2022 (“1H22”), the Group’s revenue was US\$81.21 million. Overall gross profit margin was at 22.3% (1H22: 23.6%).

Profit attributable to shareholders of the Company was US\$2.03 million (1H22: loss of US\$4.98 million). The turn from loss to profit was mainly due to improved performance of our industrial business. Share of profits and losses of ECI Metro improved from a loss of US\$5.34 million in 1H22 to a profit of US\$2.61 million in 1H23.

Basic and diluted profit per share were both 0.80 US cents (1H2022: loss of 1.97 US cents). The board of directors of the Company resolved not to declare an interim dividend for the six months ended 30 June 2023 (1H22: 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) and animal health products. CTC products are antibiotics used to prevent or cure animal diseases. While our animal health products are mainly preventive drugs for livestock 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 sale, and some we source and trade. The Group’s major customers include farms, pharmaceutical companies, trading companies and feed mills.

In 1H23, the Group’s revenue from the biochemical business amounted to US\$82.81 million (1H22: US\$81.21 million). While sales remained stable, our sales mix changed in line with our strategic business direction. Revenue contribution from CTC products decreased from 57% in 1H22 to 48% in 1H23, while revenue contribution from animal health products, trading and other segments increased from 43% in 1H22 to 52% in 1H23. Gross profit margin in 1H23 was 22.3% (1H22: 23.6%).

Due to reduced CTC product demand in 1H23, our factory utilisation rate dropped, increasing our production overhead in this period. Again, in line with our strategic business direction, we continued to deploy additional marketing efforts to expand our animal health and trading businesses. Overall, contribution from our biochemical business declined in 1H23.

## **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. The excavator market in China had been impacted by a decline in construction machinery demand since 2022. According to the China Construction Machinery Association, excavator sales across the entire market in 1H2023 was 43.8% lower than that in 1H2022. Our market share in the small and medium-sized construction machinery segment was also continuously challenged by domestic brands in China. Nevertheless, revenue and gross profit from sales of spare parts and services increased due to rising demand. Furthermore, machinery with new emission standards had better gross profit margin. As a result, for the six months ended 30 June 2023, our share of profits and losses of joint venture improved from a loss of US\$5.34 million in 1H22 to a profit of US\$2.61 million in 1H23.

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 in 1H2023 increased 9.8% when compared to 1H2022. On the other hand, according to China Chamber of Commerce for Motorcycle, China motorcycle sales in 1H2023 was 10.3% lower than that in 1H2022. For the six months ended 30 June 2023, our share of profit of associate was US\$1.04 million (1H22: US\$1.11 million).

## **OUTLOOK**

Looking forward, the pace of economic recovery and intensified competition are expected to bring uncertainties to our biochemical business. For our industrial business, fixed-asset investment growth in the remainder of 2023 is expected to hover at a low level and competition is likely to remain intense. Overall, we remain cautious for our performance in the remainder of 2023.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2023, the Group had total assets of US\$346.5 million, a decrease of 1.2% as compared to US\$350.6 million as at 31 December 2022.



Net debt (30 June 2023: US\$22.7 million, 31 December 2022: US\$18.2 million) to equity ratio (defined as total bank borrowings minus cash divided by total equity) was 0.09 as compared to 0.07 as at 31 December 2022.

All the borrowings of the Group are denominated in Renminbi (“RMB”) as at 30 June 2023 and 31 December 2022.

As at 30 June 2023, the Group’s fixed interest rate bank borrowings amounted to US\$28.5 million (31 December 2022: US\$26.8 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\$36.2 million as at 30 June 2023, increase of US\$5.4 million compared to US\$30.9 million as at 31 December 2022.

### **CHARGES ON GROUP ASSETS**

As at 30 June 2023, out of the total borrowings of US\$58.9 million (31 December 2022: US\$49.1 million) obtained by the Group, US\$15.0 million (31 December 2022: US\$18.3 million) was secured and accounted for 25.5% (31 December 2022: 37.3%) 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\$30.2 million (31 December 2022: US\$13.8 million) were pledged as security.

### **CONTINGENT LIABILITIES**

As at 30 June 2023, the Group did not have any significant contingent liabilities.

### **EMPLOYEE AND REMUNERATION POLICIES**

As at 30 June 2023, 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.

## **INTERIM DIVIDEND**

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

## **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 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 six months ended 30 June 2023.

## **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. All Directors responded to a specific enquiry by the Company and confirmed that they complied with the required standard set out in the Code of Conduct for Securities Transactions during the six months ended 30 June 2023.

## **REVIEW OF INTERIM RESULTS**

The interim results for the six months ended 30 June 2023 are unaudited, but have been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. KPMG’s unmodified review report is included in the interim report to be sent to shareholders of the Company.

The audit committee of the Company has also reviewed the interim results for the six months ended 30 June 2023.

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

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

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

Hong Kong, 10 August 2023

*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).*