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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2023	2022
	<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
REVENUE	4	173,979	159,239
Cost of sales		(140,213)	(120,050)
Gross profit		33,766	39,189
Other income, net	5	2,525	237
Selling and distribution costs		(16,113)	(13,106)
General and administrative expenses		(22,188)	(21,203)
Finance costs		(1,954)	(994)
Share of profits and losses of:			
Joint venture		4,816	(9,006)
Associate		2,091	2,134
PROFIT/(LOSS) BEFORE TAX	6	2,943	(2,749)
Income tax	7	(1,057)	(1,510)
PROFIT/(LOSS) FOR THE YEAR		1,886	(4,259)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (*Continued*)

		Year ended 31 December	
	<i>Note</i>	2023	2022
		US\$'000	US\$'000
Profit/(loss) attributable to:			
Shareholders of the Company		2,553	(6,677)
Non-controlling interests		(667)	2,418
		<u>1,886</u>	<u>(4,259)</u>
		<i>US cents</i>	<i>US cents</i>
 EARNINGS/(LOSS) PER SHARE			
ATTRIBUTABLE TO SHAREHOLDERS			
OF THE COMPANY			
	9		
Basic and diluted		<u>1.01</u>	<u>(2.64)</u>
		<i>US\$'000</i>	<i>US\$'000</i>
PROFIT/(LOSS) FOR THE YEAR		1,886	(4,259)
 OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences related to translation of foreign operations		(2,044)	(6,277)
Share of other comprehensive income of:			
Joint venture		(3,071)	(9,431)
Associate		(505)	(1,770)
		<u>(5,620)</u>	<u>(17,478)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR		(5,620)	(17,478)
 TOTAL COMPREHENSIVE INCOME FOR THE YEAR		 <u>(3,734)</u>	 <u>(21,737)</u>
 Total comprehensive income attributable to:			
Shareholders of the Company		(2,420)	(22,209)
Non-controlling interests		(1,314)	472
		<u>(3,734)</u>	<u>(21,737)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December	
		2023	2022
<i>Note</i>		<i>US\$'000</i>	<i>US\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		95,951	93,847
Land lease prepayments		4,878	5,168
Investments in joint venture		101,074	102,122
Investments in associate		19,726	19,880
Other non-current assets		712	246
		222,341	221,263
CURRENT ASSETS			
Inventories		39,690	45,734
Trade and bills receivables	10	63,284	40,863
Prepayments, deposits and other receivables		14,453	11,866
Cash and cash equivalents		37,606	30,859
		155,033	129,322
CURRENT LIABILITIES			
Trade and bills payables	11	24,952	18,816
Other payables and accruals		13,714	17,657
Bank borrowings		58,118	36,844
Income tax payables		3,304	3,997
		100,088	77,314
NET CURRENT ASSETS		54,945	52,008
TOTAL ASSETS LESS CURRENT LIABILITIES		277,286	273,271

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

		At 31 December	
		2023	2022
	<i>Note</i>	US\$'000	<i>US\$'000</i>
NON-CURRENT LIABILITIES			
Bank borrowings		20,050	12,258
Other non-current liabilities		1,648	2,170
Deferred tax liabilities		3,570	3,091
		<hr/>	<hr/>
Total non-current liabilities		25,268	17,519
		<hr/>	<hr/>
NET ASSETS		252,018	255,752
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	12	25,333	25,333
Reserves		203,097	205,517
		<hr/>	<hr/>
		228,430	230,850
Non-controlling interests		23,588	24,902
		<hr/>	<hr/>
TOTAL EQUITY		252,018	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 annual consolidated financial statements for the year ended 31 December 2023, but is derived from those financial statements. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board ("IASB"). This financial information is presented in United States dollars ("US\$") and all values are rounded to the nearest thousand ("US\$'000") except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

Adoption of new or amended IFRSs effective on or after 1 January 2023:

IFRS 17	IFRS 17, <i>Insurance contracts</i>
Amendments to IAS 1 and IFRS 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 or amended IFRSs has a material effect on the reported results or financial position of the Group for both current and prior reporting periods. The Group has not early applied any new or amended IFRSs or interpretations that are not yet effective for the current accounting period.

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 applied the above HKICPA guidance and this change in accounting policy did not have any material impact on these consolidated financial statements.

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 2023 and 2022.

Year ended 31 December 2023

	Biochemical operations <i>US\$'000</i>	Industrial operations <i>US\$'000</i>	Total <i>US\$'000</i>
Segment revenue			
Sales to external customers	173,979	–	173,979
Segment results			
The Group	123	(1,367)	(1,244)
Share of profits and losses of:			
Joint venture	–	4,816	4,816
Associate	–	2,091	2,091
	123	5,540	5,663
Reconciliation:			
Bank interest income			1,149
Finance costs			(1,954)
Unallocated head office and corporate expenses			(1,915)
Profit before tax			2,943
Other segment information			
Depreciation and amortisation	6,391	–	6,391
Capital expenditure*	11,112	–	11,112

* Including additions to property, plant and equipment.

3. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Reportable operating segments *(Continued)*

At 31 December 2023

	Biochemical operations US\$'000	Industrial operations US\$'000	Total US\$'000
Segment assets	215,163	124,578	339,741
Reconciliation:			
Unallocated corporate assets			<u>37,633</u>
Total assets			<u><u>377,374</u></u>
Segment liabilities	39,118	22	39,140
Reconciliation:			
Unallocated corporate liabilities			<u>86,216</u>
Total liabilities			<u><u>125,356</u></u>
Other segment information			
Investments in joint venture	–	101,074	101,074
Investments in associate	–	19,726	19,726
	<u>–</u>	<u>120,800</u>	<u>120,800</u>

3. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Reportable operating segments *(Continued)*

Year ended 31 December 2022

	Biochemical operations <i>US\$'000</i>	Industrial operations <i>US\$'000</i>	Total <i>US\$'000</i>
Segment revenue			
Sales to external customers	159,239	–	159,239
	<u>159,239</u>	<u>–</u>	<u>159,239</u>
Segment results			
The Group	8,163	(1,681)	6,482
Share of profits and losses of:			
Joint venture	–	(9,006)	(9,006)
Associate	–	2,134	2,134
	<u>8,163</u>	<u>(8,553)</u>	<u>(390)</u>
Reconciliation:			
Bank interest income			368
Finance costs			(994)
Unallocated head office and corporate expenses			<u>(1,733)</u>
Loss before tax			<u>(2,749)</u>
Other segment information			
Depreciation and amortisation	6,925	–	6,925
Capital expenditure*	15,771	–	15,771
	<u>15,771</u>	<u>–</u>	<u>15,771</u>

* Including additions to property, plant and equipment.

3. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Reportable operating segments *(Continued)*

At 31 December 2022

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

(b) Geographical information

(i) Revenue from external customers

	Year ended 31 December	
	2023	2022
	<i>US\$'000</i>	<i>US\$'000</i>
Mainland China	107,950	83,294
Americas	24,647	29,099
Asia Pacific (excluding mainland China)	28,725	24,354
Europe	5,157	16,430
Elsewhere	7,500	6,062
	<u>173,979</u>	<u>159,239</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 2023, 99% (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:

	Year ended 31 December	
	2023	2022
	US\$'000	US\$'000
Bank interest income	1,149	368
Government grants	1,143	1,030
Gain/(loss) on disposal of property, plant and equipment, net	29	(110)
Foreign exchange differences, net	(303)	(1,620)
Others	507	569
	<u>2,525</u>	<u>237</u>

6. PROFIT/(LOSS) BEFORE TAX

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

	Year ended 31 December	
	2023	2022
	US\$'000	US\$'000
Cost of inventories sold	140,213	120,050
Depreciation of property, plant and equipment	6,336	6,786
Amortisation of land lease prepayments	55	139
Impairment of trade receivables, net	(301)	(78)
	<u>146,293</u>	<u>127,087</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 (2022: nil).

Subsidiaries operating in the People's Republic of China ("PRC") are subject to income tax at the rate of 25% (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.

	Year ended 31 December	
	2023	2022
	US\$'000	US\$'000
Current – the PRC		
Charge for the year	512	999
Under/(over)-provision in prior years	18	(274)
Deferred	527	785
	<hr/>	<hr/>
Total tax expense for the year	1,057	1,510
	<hr/> <hr/>	<hr/> <hr/>

8. DIVIDEND

The Board has resolved not to declare a dividend for the year ended 31 December 2023 (2022: nil).

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

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

	Year ended 31 December	
	2023	2022
	<i>US\$'000</i>	<i>US\$'000</i>
Earnings/(loss)		
Profit/(loss) for the year attributable to shareholders of the Company, used in the basic earnings/(loss) per share calculation	<u>2,553</u>	<u>(6,677)</u>
	Year ended 31 December	
	2023	2022
Shares		
Weighted average number of ordinary shares and convertible preference shares in issue during the year, used in the basic earnings/(loss) 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 2023 and 2022, the amount of diluted earnings/(loss) per share is equal to basic earnings/(loss) 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	
	2023	2022
	<i>US\$'000</i>	<i>US\$'000</i>
60 days or below	35,323	18,117
61 to 180 days	19,033	14,746
Over 180 days	8,928	8,000
	<hr/>	<hr/>
	63,284	40,863
	<hr/> <hr/>	<hr/> <hr/>

11. 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:

	At 31 December	
	2023	2022
	<i>US\$'000</i>	<i>US\$'000</i>
60 days or below	22,247	15,535
61 to 180 days	2,113	2,592
Over 180 days	592	689
	<hr/>	<hr/>
	24,952	18,816
	<hr/> <hr/>	<hr/> <hr/>

12. SHARE CAPITAL

	At 31 December	
	2023	2022
	US\$'000	US\$'000
Authorised		
<i>Ordinary shares:</i>		
787,389,223 shares (2022: 787,389,223 shares) of US\$0.1 each	78,739	78,739
<i>Convertible preference shares:</i>		
12,610,777 shares (2022: 12,610,777 shares) of US\$0.1 each	<u>1,261</u>	<u>1,261</u>
	<u>80,000</u>	<u>80,000</u>
Issued and fully paid		
<i>Ordinary shares:</i>		
240,718,310 shares (2022: 240,718,310 shares) of US\$0.1 each	24,072	24,072
<i>Convertible preference shares:</i>		
12,610,777 shares (2022: 12,610,777 shares) of US\$0.1 each	<u>1,261</u>	<u>1,261</u>
	<u>25,333</u>	<u>25,333</u>

There were no movements in the Company's issued ordinary shares and convertible preference shares during the years ended 31 December 2023 and 2022.

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 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 year ended 31 December 2023, the Group’s revenue increased 9.3% to US\$174.0 million (2022: US\$159.2 million). However, overall gross profit margin decreased from 24.6% in 2022 to 19.4% in 2023 mainly due to a decrease in selling price of CTC products and an increase in trading business which has a lower profit margin.

Profit attributable to shareholders of the Company was US\$2.6 million (2022: loss of US\$6.7 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\$9.0 million in 2022 to a profit of US\$4.8 million in 2023.

Basic and diluted earnings per share were both 1.0 US cents (2022: loss of 2.6 US cents). The Board of Directors of the Company resolved not to declare a dividend for the year ended 31 December 2023 (2022: Nil).

BUSINESS REVIEW

Biochemical

We generate our revenue mainly from the manufacture and/or sale of CTC products (CTC Premix and CTC HCL) and animal health products. CTC products are antibiotics used to prevent or cure animal diseases. Our animal health products, on the other hand, are mainly preventive drugs for livestock diseases. In the past few years, we have been strategically broadening our product portfolio to cover 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 2023, the Group's revenue from the biochemical business increased 9.3% to US\$174.0 million (2022: US\$159.2 million). Our sales mix changed in-line with our strategic business direction. Revenue contribution from CTC products decreased from 53% in 2022 to 41% in 2023, while revenue contribution from animal health products increased from 47% in 2022 to 59% in 2023.

Average selling price of our CTC products decreased by 11% in 2023 when compared to that in 2022. Also, our asset-light trading business – the expanding segment – has a lower profit margin relative to our manufacturing business. As a result, overall gross profit margin reduced from 24.6% in 2022 to 19.4% in 2023.

In-line with our strategic shift to animal health business, we continued to deploy additional marketing resources to expand this business segment. In aggregate, contribution from our biochemical business declined in 2023.

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 in the past few years. According to the China Construction Machinery Association, excavator sales across the entire market in 2023 recorded a 40.8% drop when compared to that in 2022. Our market share in the small and medium-sized construction machinery segment was also continuously challenged by domestic Chinese brands. Nevertheless, revenue and gross profit from sales of spare parts and services increased due to rising servicing demand. Furthermore, machinery with new emission standards generated higher gross profit margin. As a result, for the year ended 31 December 2023, our share of profits and losses of joint venture improved from a loss of US\$9.0 million in 2022 to a profit of US\$4.8 million in 2023.

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 2023 increased by 12.0% when compared to that in 2022. On the other hand, according to China Chamber of Commerce for Motorcycle, China motorcycle sales in 2023 was 8.8% lower than that in 2022. For the year ended 31 December 2023, our share of profit of associate remained stable at US\$2.1 million (2022: US\$2.1 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 2024 is expected to hover at a low level and competition is likely to remain intense. Overall, we remain cautious for our performance in 2024.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2023, the Group had total assets of US\$377.4 million, an increase of 7.6% as compared to US\$350.6 million as at 31 December 2022.

Net debt (31 December 2023: US\$40.6 million, 31 December 2022: net debt US\$18.2 million) to equity ratio (defined as total bank borrowings minus cash divided by total equity) was 0.16 as compared to 0.07 as at 31 December 2022.

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

As at 31 December 2023, the Group’s fixed interest rate bank borrowings amounted to US\$41.1 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\$37.6 million as at 31 December 2023, an increase of US\$6.7 million compared to US\$30.8 million as at 31 December 2022.

CHARGES ON GROUP ASSETS

As at 31 December 2023, out of the total borrowings of US\$78.2 million (31 December 2022: US\$49.1 million) obtained by the Group, US\$21.7 million (31 December 2022: US\$18.3 million) was secured and accounted for 27.7% (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\$33.8 million (31 December 2022: US\$13.8 million) were pledged as security.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any significant contingent liabilities.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2023, the Group employed around 1,000 employees in the PRC and Hong Kong. The Group remunerates its employees based on their performance, experience and prevailing market conditions while performance bonuses are granted on a discretionary basis. Other employee benefits include, for example, medical insurance and training.

DIVIDEND

The Board resolved not to declare a dividend for the year ended 31 December 2023 (2022: nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members holding ordinary shares of the Company will be closed from 4 June 2024 to 7 June 2024, both days inclusive, during which period 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 7 June 2024, 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 3 June 2024.

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 C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year 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 C3 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 2023.

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 2023, as set out in this announcement, have been compared by KPMG, Certified Public Accountants, to the amounts set out in the draft 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 Hong Kong Standards on Auditing, 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 2023, 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 2024

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, Mr. Edward Ko Ming Tung and Ms. Cheung Marn Kay (each an Independent Non-executive Director).